

Office of the Inspector General

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Principal Deputy Commissioner  
of Social Security

Acting Inspector General

Management Controls In Place for Earnings Modernization 2.8 Transactions Processed at Field Offices and Teleservice Centers (A-03-97-31001)

The attached final report presents the results of the subject review. The objective of our review was to determine whether there were sufficient management controls in place to ensure the accuracy and integrity of Earnings Modernization (EM) 2.8 transactions processed at field offices (FO) and teleservice centers (TSC). To perform our review, we analyzed the Social Security Administration's management controls pertaining to EM 2.8 transactions. We also reviewed a sample of EM 2.8 transactions processed at FOs and TSCs in Calendar Year 1997.

You may wish to comment on any further action taken or contemplated on our recommendations. If you wish to comment, please provide your comments within the next 60 days. If you wish to discuss the final report, please call me or have your staff contact Daniel R. Devlin, Acting Assistant Inspector General for Audit, at (410) 965-9700.

James G. Huse, Jr.

Attachment

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**OFFICE OF  
THE INSPECTOR GENERAL**

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**SOCIAL SECURITY ADMINISTRATION**

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**MANAGEMENT CONTROLS IN PLACE  
FOR EARNINGS MODERNIZATION 2.8  
TRANSACTIONS PROCESSED AT  
FIELD OFFICES AND  
TELESERVICE CENTERS**

September 1999

A-03-97-31001

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**AUDIT REPORT**

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# EXECUTIVE SUMMARY

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## OBJECTIVE

The objective of this audit was to determine whether there were sufficient management controls in place to ensure the accuracy and integrity of Earnings Modernization (EM) 2.8 transactions processed in field offices (FO) and teleservice centers (TSC).

## BACKGROUND

Under section 205 of the Social Security Act, the Social Security Administration (SSA) is responsible for establishing and maintaining complete and accurate records of wages paid and self-employment income earned for each individual covered by the Social Security program. SSA is also responsible for correcting any errors in earnings posted to, or omitted from, SSA's records and providing individuals written notice of certain types of earnings adjustments. The EM program was implemented in October 1994 in anticipation of the mailing of Personal Earnings and Benefit Estimate Statements. SSA is mandated to distribute PEBES to workers over age 24 and expects to mail 123 million statements annually starting in Fiscal Year (FY) 2000. SSA expects increased public inquiries concerning earnings corrections when workers receive their statements.

The EM 2.8 program is a computerized process for making adjustments to an individual's earnings record thereby helping SSA establish and maintain an accurate and complete Master Earnings File (MEF). This program allows SSA employees to add, change, move, or delete an individual's earnings overnight via on-line interactive input screens. This is basically a paperless system, with proofs and rationale recorded electronically after an initial inspection by an SSA employee(s). Previously, only the Office of Central Operations (OCO) employees were able to access and adjust the earnings files using a time-consuming, inefficient paper-based system that sometimes took years to complete.

Most completed EM 2.8 transactions provide a direct audit trail on the system, facilitating the review of the individual transactions. Earnings Suspense File Reinstatements, which involve moving earnings from the Earnings Suspense File to an individual earnings record, do not furnish a direct audit trail.

In FY 1997, SSA employees at FOs, TSCs, and program service centers (PSCs) processed 576,700 EM 2.8 transactions on individual earnings records. OCO employees processed 664,200 more EM 2.8 transactions in the same period. There are two management control systems in place for the EM 2.8 program: the Two Personal Identification Number (PIN) Release (Two-PIN Release) and the Modernized

Earnings Integrity Review System (MEIRS). The Two-PIN Release is used at FOs and PSCs and requires a second employee to review and sign off on all EM 2.8 transactions except Earnings Suspense File Reinstatements. TSCs also process EM 2.8 transactions but only for Earnings Suspense File Reinstatements. The MEIRS is designed to guard against fraud, abuse, and misuse in the EM system. It captures for manual reviews EM 2.8 transactions meeting specific selection criteria, such as posting earnings for names matching the SSA employee's name.

We reviewed SSA's policies and procedures for adjusting individual earnings records and compared management controls in place at SSA's various components. In addition, we interviewed SSA employees responsible for processing earnings adjustments, including managers, systems personnel, and technicians. We also reviewed a nationwide statistical sample of 200 EM 2.8 transactions processed at FOs and TSCs in Calendar Year 1997. We re-examined questioned transactions with an SSA analyst to confirm our conclusions. We did not review EM 2.8 or MEIRS management controls used at OCO or PSCs because they were the subjects of a prior Office of the Inspector General audit, CIN A-03-95-02608, *Internal Controls of the Earnings Modernization 2.8 Program*, March 1997. We performed our work at the Philadelphia Regional Office, Philadelphia TSC, SSA Central Office, and selected FOs in Philadelphia between September 1997 and December 1998.

## RESULTS OF REVIEW

Our review of the EM 2.8 sample transactions showed that 30 percent of the sample transactions had inadequate controls to ensure their accuracy and integrity. We determined that 140 of our 200 sample transactions were processed correctly. The remaining 60 transactions are discussed below.

- Twenty transactions were erroneous, questionable, or incomplete and affected individuals' earnings records in SSA's MEF. These transactions were processed with a second PIN reviewer, but neither the SSA employees that initiated the transactions nor the reviewers questioned them. An SSA analyst reviewing the transactions agreed these transactions contained errors and/or required more investigation. As an example of obvious errors, in five cases, the same amount of wages from the same year and employers were posted to individuals' earnings records twice. In a questionable transaction, a series of EM 2.8 transactions was used to transfer a portion of an individual's self-employed income over an 11-year period to his spouse. The spouse's entire earnings record was built through these EM 2.8 transactions and qualified her for Social Security benefits.

- Six transactions involved errors that did not affect eligibility for Social Security benefits. However, the errors were not detected through the second PIN review. An example of this type of error was the failure to properly credit a Federal employee's earnings as Medicare qualified earnings.
- Thirty-four transactions involved reinstating wages from the Earnings Suspense File to the MEF. At the time of our review, these did not require review by a second SSA employee and did not provide a documentary "audit trail" through the EM 2.8 program. SSA has since revised its policy and now requires a second employee to review these transactions. However, the documentation and development screens available in the EM 2.8 system still are not used for Earnings Suspense File Reinstatements.

## **CONCLUSIONS AND RECOMMENDATIONS**

EM 2.8 has been an important contributor to SSA's goal of reducing the time required to process changes to earnings records. However, SSA needs to ensure that controls work as intended. Ten percent of the sample items were processed incorrectly, resulting in errors, incomplete actions, and/or questionable transactions that affected the MEF and ultimately could affect individuals' benefit payments. SSA has not established an acceptable tolerance level for errors. In our view, a 10-percent error rate is too high.

At the time of our review, SSA policy permitted reinstating wages from the Earnings Suspense File to the MEF using EM 2.8 without requiring a second PIN review. Also, such transactions did not provide a documentation trail on the EM 2.8 system for reconstructing what transpired. SSA has revised its policy and now requires a Two-PIN Release, effective July 1999. We concur with this change in SSA's policy. However, we believe SSA could more efficiently document Earnings Suspense File Reinstatements by using the EM 2.8 documentation and development screens.

SSA's management controls in place for EM 2.8 transactions processed at FOs and TSCs need to be strengthened. We recommend that SSA:

1. Develop a management initiative to reduce the error rate.
2. Notify the staff involved in processing EM 2.8 transactions of the kind of erroneous and/or questionable transactions found in this review.
3. Provide training to the staff involved in processing EM 2.8 transactions to reinforce the need to thoroughly review the transactions for correctness.
4. Require that the EM 2.8 documentation and development screens be used for Earnings Suspense File Reinstatements.

## **AGENCY COMMENTS**

SSA agreed with the first three recommendations and included some general observations. SSA disagreed with our fourth recommendation. SSA believes its current procedures are sufficient and the additional requirement to use EM 2.8 screens would not appear to be cost-beneficial. In its general observations, SSA said that it needed additional information before commenting on the appropriateness of transactions we determined to be questionable. SSA also commented that, although its OCO does not use a Two-PIN release, a complete audit trail of MEF adjustment transactions exists. The full text of SSA's comments is included in Appendix D.

## **THE OFFICE OF THE INSPECTOR GENERAL RESPONSE**

We continue to believe SSA should use the EM 2.8 documentation and development screens for Earnings Suspense File reinstatements. Although we agree that SSA has an audit trail of Earnings Suspense File reinstatements, the process is laborious. It would be more efficient to take advantage of the EM 2.8 system's documentation capabilities.

We did not provide detailed information in the report for each questionable transaction, because an SSA analyst reviewed each case for us. We discussed this with SSA staff at the exit conference. We can provide a complete analysis of these questionable transactions to SSA.

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# INTRODUCTION

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## OBJECTIVE

The objective of this audit was to determine whether there were sufficient management controls in place to ensure the accuracy and integrity of Earnings Modernization (EM) 2.8 transactions processed in field offices (FOs) and teleservice centers (TSCs).

## BACKGROUND

Under section 205 of the Social Security Act, the Social Security Administration (SSA) is responsible for establishing and maintaining complete and accurate records of wages paid and self-employment income earned for each individual covered by the Social Security program. To facilitate this responsibility, in 1936, SSA created Social Security numbers (SSNs) to maintain individual earnings records. An individual's eligibility for title II Social Security and Medicare benefits as well as Social Security benefit amounts are based on earnings averaged over the individual's working lifetime.<sup>1</sup> Overstated earnings could erroneously increase benefits, and understated earnings could erroneously decrease benefits or even affect eligibility.

Starting in October 1999, SSA is mandated to annually provide an estimated 123 million workers Personal Earnings and Benefit Estimate Statements. SSA expects increased public requests to adjust earnings records when workers receive their statements. SSA developed EM 2.8 in response to this anticipated demand.

Implemented in October 1994, the EM 2.8 computer program allows SSA to quickly correct and adjust individual earnings records. In Fiscal Year 1997, SSA employees at FOs, TSCs, and program service centers (PSCs) completed 576,700 EM 2.8 transactions that added, changed, moved, or deleted earnings on individual earnings records. SSA employees at the Office of Central Operations (OCO) processed 664,200 more EM 2.8 transactions in the same period. The EM 2.8 program allows SSA employees to make these changes to an individual's earnings overnight via on-line interactive computer input screens. Paper documentation, such as W-2s or income tax returns, is not retained. Before the EM 2.8 program, OCO employees made all earnings records adjustments manually, a procedure that was labor intensive and time-consuming.

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<sup>1</sup> Title II Social Security benefits are computed as follows: base years are determined, the base years are adjusted for inflation, and the average adjusted monthly earnings are computed. The average adjusted earnings are then multiplied by percentages using a formula specified by law.



The EM 2.8 program has two major internal control components: the Two Personal Identification Number Release (Two-PIN Release) and the Modernized Earnings Integrity Review System (MEIRS).

- Under the Two-PIN Release, the employee making the determination about an EM 2.8 transaction cannot post most earnings record adjustments to the Master Earnings File (MEF). A second employee reviews any available documents and computer screens that provide additional details about the transaction. If the second employee finds no errors, he/she posts (“releases”) the changes to the MEF. A third employee could get involved if the second employee, while reviewing the transaction, finds errors and corrects them. In this case, a third employee must review and release the adjustment to the MEF. SSA does not maintain overall statistics on the frequency with which the second PIN reviewer finds errors and initiates actions to correct them.

The Two-PIN Release is used at FOs and PSCs but not at OCO or TSCs. TSCs can process EM 2.8 transactions only if either the name or SSN given by the caller agrees with the name or SSN on SSA’s records and the wages claimed by the caller are found in the Earnings Suspense File. Such transactions are done over the telephone and are referred to as Earnings Suspense File Reinstatements.

- The MEIRS system is designed to guard against fraud, abuse, and misuse in the EM system. MEIRS captures for manual review EM 2.8 transactions meeting one of six specific selection criteria. Selection criteria include, for example, the name of the employee processing the transaction matches the name of the individual whose MEF record is being updated, or the employee processing the transaction originated the SSN being updated. OCO uses all six criteria to select EM 2.8 transactions for review, while FOs, TSCs, and PSCs use only two of them.<sup>2</sup>

SSA policy requires that documents have an audit trail for validation purposes. For earnings purposes, an audit trail exists when there is sufficient information to contact the employer directly to verify the authenticity of the record (for example, the employer’s name and identification number as well as the year and amount of the earnings under review).

At the time of our review, Earnings Suspense File Reinstatements did not require a Two-PIN Release or provide an audit trail in the EM 2.8 system. A single SSA employee could reinstate wages from the Earnings Suspense File if either the SSN or the worker’s name, as shown on SSA’s Earnings Suspense File, matched the data shown in SSA’s Numident File<sup>3</sup> for the person whose wages were being changed. Documenting wages, other than

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<sup>2</sup> The Social Security Administration (SSA) uses only two selection criteria at field offices (FO), teleservice centers, and program service centers because these Earnings Modernization (EM) 2.8 transactions require a Two-Personal Identification Number release. The two selection criteria used are: (1) Social Security number (SSN) match and (2) posting earnings to an SSN enumerated by the employee.

<sup>3</sup> The Numident File contains information on all individuals issued an SSN, such as current and previous names, date and place of birth, sex, parents’ names, date the SSN was issued, and date(s) Social Security card(s) were issued.

locating them in the Earnings Suspense File, was not required. No audit trail was provided in the EM 2.8 system showing whether the name or SSN matched the amount of wages, the year the wages were earned, and the employer who paid the wages. SSA has recognized the inherent weakness in this procedure and implemented a Two-PIN Release for Earnings Suspense File Reinstatements starting in July 1999. However, the documentation and development screens available in the EM 2.8 system still are not used for Earnings Suspense File Reinstatements.

## **SCOPE AND METHODOLOGY**

We reviewed SSA's policies and procedures for adjusting individual earnings records and compared management controls in place at SSA's various components. These policies and procedures and management controls are contained in SSA's Program Operations Manual System, Systems Security Handbook, Modernized Systems Operations Manuals, program circulars, and training materials. These procedures instruct the second PIN reviewer to review and approve transactions by verifying the data on the wage earner, employer name and address, wage details, and applicable rationale.

In addition, we interviewed SSA employees responsible for processing earnings adjustments, including managers, systems personnel, claims representatives, services representatives, operations supervisors (now management support specialists), and teleservice representatives.

We reviewed and analyzed a nationwide statistical sample of 200 EM 2.8 transactions processed by FOs and TSCs in Calendar Year 1997. We randomly selected these 200 transactions from a universe of 145,312 SSNs where an EM 2.8 transaction was processed at an FO or TSC in 1997. After analyzing the transactions, we reviewed our results with an SSA Program Analyst, who agreed with our conclusions on each sample transaction.

We performed our work at the Philadelphia Regional Office; SSA Headquarters in Baltimore, Maryland; selected Philadelphia area FOs; and the Philadelphia TSC. We conducted our fieldwork between September 1997 and December 1998. We performed our audit in accordance with generally accepted government auditing standards.

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# RESULTS OF REVIEW

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Our review of the EM 2.8 management controls showed the controls were inadequate to ensure the accuracy and integrity of all transactions processed. We were unable to determine whether Earnings Suspense File Reinstatements were processed accurately. However, SSA is taking steps to improve controls over these transactions.

## REVIEW OF EM 2.8 TRANSACTIONS

The Two-PIN Release, which is supposed to be the review mechanism to ensure the integrity of EM 2.8 transactions, was not working as intended. Employees were not consistently complying with SSA's procedures that require a thorough review of EM 2.8 transactions before posting them to individuals' earnings record in the MEF. Of the 200 EM 2.8 transactions in our national sample, 20 (10 percent) were processed erroneously. These transactions contained errors and questionable or incomplete actions. These errors affected individuals' records in the MEF and potentially could affect their Social Security benefits.

Six other transactions were processed erroneously without adequate reviews. They did not affect individuals' Social Security eligibility. However, three of these errors potentially could affect the individuals' Medicare eligibility.

### ***Near-Duplicate Postings of Earnings***

Five transactions contained errors involving posting the same wages from the same employer twice or posting self-employment income (SEI) twice, referred to as near-duplicate posting. Despite the fact that these were obvious errors, the SSA reviewer (that is, the second PIN) did not discover them and take corrective action.<sup>4</sup>

In one case, wages from the same employer for the same year (1991) were posted to the MEF three times. The amounts were \$9,077.00, \$9,077.66, and \$9,077.68. Using EM 2.8, an SSA employee deleted \$9,077.00 but left \$9,077.66 and \$9,077.68. Neither the transaction originator nor the second PIN reviewer questioned this transaction, even though the posted earnings for 1991 were double those for prior and subsequent years. After the EM 2.8 transaction, wages posted to the MEF for the individual were as follows:

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<sup>4</sup> The Office of Central Operations corrected one of the transactions about 2 years later.

- 1989                 \$7,424
- 1990                 \$7,852
- **1991                 \$18,155**
- 1992                 \$9,018
- 1993                 \$8,993

In another case, \$3,676 of SEI for 1995 was added to an earnings record that already had \$3,674 of SEI posted for that year. The basis for the change, according to an EM 2.8 screen, was a timely filed tax return. A narrative explanation written by the SSA employee making the change stated “Wage earner has submitted proof of 1995 self-employment which is not yet on her earnings record.” As in the preceding example, the revised 1995 earnings were about double other years’ earnings.

- 1993                 \$1,592
- 1994                 \$1,901
- **1995                 \$7,350**
- 1996                 \$3,664
- 1997                 \$3,669

***Questionable Transactions***

Thirteen of 200 cases reviewed were questionable transactions. SSA changed the individual earnings records, but neither the transaction originator nor the second PIN reviewer questioned these cases.

In one example, SEI from 1978 to 1980, 1982 and 1983, and 1985 to 1990 was deleted from a man’s earnings record. One-half of the SEI amount was then posted back to his earnings record, and the other half of the SEI was posted to his wife’s earnings record. Thus, 11 years of SEI, totaling \$70,778, was split between a married couple, insuring them both for Social Security benefits. The explanation provided was that the couple worked together from 1978 to 1991, and all net profit should have been split equally between them. The wife’s entire earnings record was built through this EM 2.8 transaction, and she collected Social Security and Supplemental Security Income (SSI) disability benefits. In addition, the husband had previously applied for, and been medically denied, Social Security and SSI disability benefits. Despite these suspicious circumstances, neither the SSA employee originating the EM 2.8 transaction nor the reviewer considered the possibility that the couple’s self-serving request to change their earnings records might require more investigation.

We could not determine from the EM 2.8 screens the propriety of this transaction or what documentation was used. The wife’s entire earnings record was constructed through the EM 2.8 transaction, and the SEI postings insured the person for benefits and were subject to manipulation. We believe the transaction was questionable and

should have been thoroughly reviewed by the second PIN reviewer. The SSA analyst working with us agreed the transaction looked questionable and warranted more information before approval.

In another case using the EM 2.8 system, a wage earner stated \$41,849 in wages for 1979, 1984, and 1988 to 1995 were not his. These wages ranged from \$9 to over \$11,000 yearly and had been previously posted to his earnings record. The individual received a second SSN and received numerous Social Security cards under both the old and new number. Despite these unusual factors, neither the SSA employee processing the EM 2.8 transaction nor the second PIN reviewer questioned or followed up on the suspicious circumstances.

The case contained a number of factors that we believe should have raised “red flags” for the SSA employees but apparently did not. These included:

- The individual requested and received a new SSN in November 1996. The Numident File at this time showed he had been issued seven Social Security cards under his original SSN, including three in a 3-month period in 1995.<sup>5</sup> Management Advisory Report: Using Social Security Numbers to Commit Fraud (A-08-99-42002), May 28, 1999, pointed out that requesting multiple replacement Social Security cards in a brief period frequently is associated with selling the cards to individuals who cannot obtain them legally.
- At the time of the EM 2.8 transactions in April 1997, he had requested and been issued two more Social Security cards under his original SSN even though he had received a new SSN months earlier

Other questionable cases that SSA employees failed to address when processing and reviewing EM 2.8 transactions included the following.

- Two cases where fathers used their adult childrens' SSN for work, with the fathers' earnings posted to the childrens' earnings record.
- An individual who used two SSNs—neither of them his—for work over a 4-year period. When he subsequently requested that the wages be credited to his own number, the SSA employee did so without questioning further.

### ***Incomplete Transactions***

In two cases, the SSA employees initiating the EM 2.8 transactions should have taken additional actions to complete work on the cases. The second PIN reviewers did not

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<sup>5</sup> After receiving the new SSN, he was issued four more cards under the new SSN, including three more in another 3-month period. The Master Beneficiary Record for the new SSN also indicated that he was later jailed.

discover the omissions. Both cases involved what SSA refers to as “scrambled earnings.” Scrambled earnings occur when wages or SEI belonging to one person are credited to another person’s earnings record.

For example, SSA mistakenly issued the same SSN to two individuals, one in 1969 and the other in 1975.<sup>6</sup> Both workers’ earnings were posted to the same earnings record for 16 years. When one individual notified SSA of the problem, an SSA employee used EM 2.8 to remove the second person’s wages (\$52,400) from the earnings record and posted them to the Suspense File. This was correct. However, the employee failed to take the appropriate follow-up actions to prevent the problem from occurring again, that is, to notify the SSA office nearest the second individual of the problem.<sup>7</sup>

The SSA second PIN reviewer did not discover the error. As a consequence, scrambled earnings for both individuals will continue as long as both workers use the same SSN. Further, the second individual’s basic eligibility for Social Security benefits and/or benefit computation will be adversely affected if the scrambled earnings placed in the Earnings Suspense File are not credited to his record.

### ***Medicare Earnings Errors***

Certain workers who do not pay into Social Security, usually Federal, State, or local Government employees, are eligible for Medicare.<sup>8</sup> We found three EM 2.8 transactions in which Medicare earnings were not credited to employees’ accounts because of errors in posting and reviewing EM 2.8 transactions.

For example, a Federal employee’s earnings for 1993 (\$37,425) originally were reported incorrectly as Federal Insurance Contributions Act (FICA) wages and also were not posted as Medicare earnings. Using EM 2.8, SSA correctly deleted the FICA earnings. Neither the SSA employee that initiated the transaction nor the second PIN reviewer credited the earnings as Medicare qualified earnings even though the worker’s earnings history clearly showed the person as a Medicare Qualified Government Employee for several prior years and the subsequent years. This error did not affect the individual’s eligibility for Social Security benefits; however, proper posting of Medicare wages is important because it can affect Medicare eligibility.

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<sup>6</sup> It was beyond the scope of this review to determine how SSA issued an SSN to more than one person.

<sup>7</sup> The local SSA office would then help the second worker obtain a new SSN and move the suspended wages to his new account.

<sup>8</sup> Federal employees have been eligible for Medicare coverage since January 1, 1984, and have paid Medicare withholding taxes since then. State and local Government employees, unless specifically excluded, are eligible for Medicare coverage and have paid Medicare withholding taxes since April 1, 1986. These employees are called Medicare Qualified Government Employees.

### ***Transactions Categorized Incorrectly***

SSA classifies EM 2.8 transactions as pre-claim (before applying for Social Security benefits), claim, or post-adjudicative (receiving benefits) transactions for management and analysis purposes. Our sample included three cases where the SSA employee initiating an EM 2.8 transaction classified it incorrectly (for example, recording a pre-claims transaction as a claims transaction) and the reviewing employee (second PIN) did not discover or correct the error. These errors did not affect the MEF. However, they are further indicators of inadequate reviews of EM 2.8 transactions.

### **CONTROLS OVER EARNINGS SUSPENSE FILE REINSTATEMENTS USING EM 2.8**

Thirty-four transactions in our sample of 200 EM 2.8 transactions were reinstatements from SSA's Earnings Suspense File. These transactions did not require a Two-PIN Release and contained no "audit trail" or documentation in the EM 2.8 system that would permit a reviewer to reconstruct the transaction.<sup>9</sup> SSA has recognized the inherent control weakness in this approach and has taken steps to correct it.

SSA policy, at the time of our review, allowed earnings to be posted from the Earnings Suspense File to an individual earnings record with no second PIN review if the following conditions were met:

- the employer reported the wages to SSA,
- the wages were reported under either an incorrect name or SSN,
- the wages were stored in SSA's Earnings Suspense File,
- the person contacted SSA regarding the wages,
- either the name or SSN claimed by the person matched SSA's records, and
- wages were found in the Earnings Suspense File under either an incorrect SSN or name (but not both).

If all the conditions were met, a single SSA employee could reinstate wages from the Earnings Suspense File to an individual's earnings record based on a telephone conversation, an in-person interview, or written correspondence.

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<sup>9</sup>Earnings Suspense File Reinstatements can be reconstructed outside the EM 2.8 system by: (1) obtaining a Detailed Earnings Record (DEQY), (2) finding certain source codes on the DEQY, (3) obtaining the Earnings Suspense File matching the year and employer corresponding to the source codes, (4) finding the name and/or SSN matching the individual's for reinstated items, and (5) determining whether the reinstatement matches the posting to the DEQY. According to SSA, this is a laborious process that is impractical in the FOs.

## **Reinstatement Policy Revised**

SSA recognized the inherent control weakness in the prior procedure. Beginning in July 1999, SSA now requires that its employees initiating reinstatements of wages from the Earnings Suspense File to the MEF use the Two-PIN Release. Recognizing that a review is not a guarantee of detecting errors, these actions nevertheless should decrease the probability of errors going undetected.

SSA has no plans to require that the employee initiating the transaction use the EM 2.8 documentation and development screens. Without these screens, it will still be difficult for the second PIN reviewer to reconstruct the change to the earnings record and the basis for change.



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## CONCLUSIONS AND RECOMMENDATIONS

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EM 2.8 has been an important contributor to SSA's goal of reducing the time required to process changes to earnings records. However, SSA needs to ensure that controls work as intended. Ten percent of the sample items were processed incorrectly, resulting in errors, incomplete actions and/or questionable transactions that affected the MEF and ultimately could affect individuals' benefit payments. SSA has not established an acceptable tolerance level for errors. In our view, a 10-percent error rate is too high.

At the time of our review, SSA policy permitted reinstating wages from the Earnings Suspense File to the MEF using EM 2.8 without requiring a second PIN review. Also, such transactions did not provide a documentation trail on the EM 2.8 system for reconstructing what transpired. SSA has revised its policy and now requires a Two-PIN Release, effective July 1999. We concur with this change in SSA's policy. However, we believe SSA could more efficiently document Earnings Suspense File Reinstatements by using the EM 2.8 documentation and development screens.

SSA's management controls in place for EM 2.8 transactions processed at FOs and TSCs need to be strengthened. We recommend that SSA:

1. Develop a management initiative to reduce the error rate.
2. Notify the staff involved in processing EM 2.8 transactions of the kind of erroneous and/or questionable transactions found in this review.
3. Provide training to the staff involved in processing EM 2.8 transactions to reinforce the need to thoroughly review the transactions for correctness.
4. Require that the EM 2.8 documentation and development screens be used for Earnings Suspense File Reinstatements.

### AGENCY COMMENTS

SSA generally agreed with our first three recommendations, provided general observations, and disagreed with our fourth recommendation.

SSA stated that:

- recognized the need to reduce the error rate,

- will update and reissue the EM 2.8 Users Guide nationally by March 2000 to reinforce the importance of developing and documenting all issues related to earnings investigation, and
- will provide refresher training to employees as needed by June 2000.

SSA disagreed with our fourth recommendation. The Agency believes its procedures to move the reinstated item to a different area of the Suspense File provide adequate documentation of the transaction, and the Two-PIN release increases the transaction's integrity.

In its general observations, SSA said that it needed additional information before commenting on the appropriateness of transactions we determined to be questionable. SSA also commented that, although OCO does not use a Two-PIN release, a complete audit trail of MEF adjustment transactions exists. Agency officials specifically cited one example involving SEI highlighted in the Executive Summary.

## **THE OFFICE OF THE INSPECTOR GENERAL RESPONSE**

We continue to believe SSA should use the EM 2.8 documentation and development screens for Earnings Suspense File reinstatements. Although we agree that SSA has an audit trail of Earnings Suspense File reinstatements, the process is laborious. As noted in the footnote on page 8 of this report, this method requires the reviewer to go through a five-step process to review and analyze a Detailed Earnings Query and the Suspense File. Although we haven't performed a cost-benefit analysis, using the EM 2.8 screens to document the transaction appears more straightforward, less laborious, and takes full advantage of the EM 2.8 system's documentation capabilities.

It is impractical to provide detailed explanations of every questionable transaction in our report. As we discussed in the report and at the exit conference, an SSA analyst reviewed every questioned case with us and agreed with our conclusions. We can provide the detailed information on these questionable transactions to SSA.

# **APPENDICES**

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## DEFINITIONS OF ACRONYMS

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DEQY	Detailed Earnings Record
EM	Earnings Modernization
FICA	Federal Insurance Contributions Act
FO	Field Office
MEIRS	Modernized Earnings Integrity Review System
MEF	Master Earnings File
MSOM	Modernized Systems Operations Manual
OCO	Office of Central Operations
PEBES	Personal Earnings and Benefit Estimate Statement
PIN	Personal Identification Number
PSC	Program Service Center
POMS	Program Operations Manual System
SEI	Self-Employment Income
SSA	Social Security Administration
SSN	Social Security Number
SSI	Supplemental Security Income
TSC	Teleservice Center

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Walter Mingo, Auditor

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# SSA ORGANIZATIONAL CHART

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# SSA COMMENTS

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