

Employers Who Report Wages with Significant Errors in the Employee Name and Social Security Number

A-08-12-13036



August 2013

Office of Audit Report Summary

Objectives

To identify patterns of errors and irregularities in wage reporting for (1) 100 employers who had the most suspended wage items and (2) 100 employers who had the highest percentage of suspended wage items for Tax Years (TY) 2007 through 2009.

Background

Because the Social Security Administration (SSA) calculates future benefit payments based on the earnings an individual has accumulated over his/her lifetime, it is critical that the Agency accurately record those earnings. SSA's ability to do so, however, depends, in part, on employers and employees correctly reporting names and Social Security numbers (SSN) on Forms W-2, *Wage and Tax Statement*. SSA uses automated edits to match employees' names and SSNs with Agency records to ensure it properly credits earnings to the Master Earnings File. SSA places wage items that fail to match name and SSN records in its Earnings Suspense File (ESF). For TYs 1937 through 2010, the ESF accumulated approximately 320 million wage items representing about \$1.1 trillion in wages. In TY 2010 alone, SSA posted approximately 7.3 million wage items, representing about \$70.3 billion, to the ESF.

Our Findings

For TYs 2007 through 2009, the 100 employers who had the most suspended wage items had submitted over 2.3 million wage items for which the employees' names and/or SSNs did not match SSA's records. These wage items represented \$15.7 billion in suspended earnings over the 3-year period. The 100 employers who had the highest percentage of suspended wage items for TYs 2007 through 2009 submitted over 111,000 wage items for which the employees' names and/or SSNs did not match SSA's records. These wage items represented \$409 million in suspended earnings over the 3-year period.

We identified various types of reporting irregularities, such as invalid and unassigned SSNs and SSNs that belonged to young children and deceased individuals. While we recognize there were legitimate reasons why a worker's name and SSN may not match SSA's files, such as a legal name change, we believe the magnitude of incorrect wage reporting may indicate SSN misuse.

Although SSA continued working with the Internal Revenue Service (IRS) and Department of Homeland Security (DHS) and educating employers about the importance of accurate wage reporting, obstacles remained. We believe SSA's ability to combat SSN misuse was hindered because employers did not use the Social Security Number Verification Service and E-Verify. In addition, the IRS did not routinely fine/penalize employers who consistently submitted erroneous or incorrect wage reports. Furthermore, privacy and disclosure issues limited SSA's ability to share information with DHS regarding employers who filed high numbers or percentages of wage statements with inaccurate SSNs.

Our Recommendation

We recommend SSA continue working with the IRS and DHS to develop a coordinated strategy to reduce growth of the ESF.

SSA agreed with our recommendation.