

# Status of the Social Security Administration's Earnings Suspense File

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Office of Audit Report Summary

### Background

We are issuing this report to provide information about the Social Security Administration's (SSA) efforts to reduce the size and growth of the Earnings Suspense File (ESF).

Title II of the *Social Security Act* requires that SSA maintain records of wage amounts employers pay individuals. Employers report their employees' wages to SSA at the conclusion of each tax year (TY). As part of the Annual Wage Reporting process, SSA validates earnings by matching reported names and Social Security numbers (SSN) on W-2s (*Wage and Tax Statement*) to the Numident.

W-2s that include names and SSNs that do not match SSA's records are posted to the ESF—a repository of W-2s that failed SSA's name and SSN matching criteria or other wage discrepancies. SSA maintains suspended wages because missing wages can affect an individual's eligibility for, and/or the amount of, retirement, disability, or survivors benefits.

### Summary

SSA's ESF has reached \$1.2 trillion in uncredited wages associated with 333 million W-2s for TYs 1937 to 2012. Although the percentage of W-2s posted to the ESF has remained relatively constant for many years, the number of W-2s posted to the ESF declined by 36 percent from 2007 to 2012. SSA processed fewer W-2s during that period because of high unemployment, which contributed to the decrease in suspended wage items.

For TYs 2008 to 2012, about 95 percent of the W-2s was suspended because of name and SSN mismatches. Three percent of the W-2s was suspended because SSA's records showed numberholders disclaimed the wages, were deceased, or were minor children. The remaining 2 percent of suspended W-2s included invalid SSNs that resembled an Individual Taxpayer Identification Number issued by the Internal Revenue Service.

Over the years, SSA reduced the size and growth of the ESF by implementing edit routines and sending notices to employers/employees to help identify valid name and SSN combinations. As a result, as of October 2014, SSA had reinstated from the ESF at least 171 million W-2s for TYs 1937 to 2013. This is vital because SSA cannot use the uncredited wages to determine a person's eligibility for Social Security benefits until the wages are posted to the person's earnings record. Additionally, in 2005, SSA implemented the Social Security Number Verification Service to assist employers in providing accurate wage reports with the intent of preventing W-2s from being posted to the ESF. However, less than 1 percent of the 6 million employers that report wages to SSA used the Social Security Number Verification Service for verification in 2014.