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RELEASED

REPORT BY THE Comptroller General OF THE UNITED STATES

Reissuing Tamper-Resistant Cards Will Not Eliminate Misuse Of Social Security Numbers

The social security number has become a widespread means of identification in the United States. As its use as an identifier has grown, so has the opportunity for its misuse - often to fraudulently obtain employment or monetary benefits. However, reissuing tamper resistant social security cards, as has been proposed, will not correct the underlying conditions leading to social security card and number misuse. GAO recommends that the Congress enact legislation to increase the integrity of the social security number by making it a felony to fraudulently obtain or use one or more social security numbers or to alter, reproduce, counterfeit, buy, or sell the social security number or card. HHS should also strengthen Social Security's card and number issuance process.



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COMPTROLLER GENERAL OF THE UNITED STATES

WASHINGTON, D C 20548

B-201373

The Honorable Max Baucus
Chairman, Subcommittee on Limitations
of Contracted and Delegated Authority
Committee on the Judiciary
United States Senate

Dear Mr. Chairman:

In response to your June 7, 1979, letter, we are reporting on the problems associated with the expanded use of social security cards and numbers for identification purposes and the more common misuses of the number and card. We are also reporting on whether there is a need for redesigning and reissuing tamper-resistant social security cards and the appropriateness of using social security trust funds to pay for such reissuance.

We gave the Department of Health and Human Services a draft of this report for its review and comment. The Department's comments have been incorporated in this report.

As arranged with your office, unless you publicly announce its contents earlier, we plan no further distribution of this report until 30 days from the date of the report. At that time, we will send copies to the Department of Health and Human Services and other interested parties and make copies available to others upon request.

Sincerely yours

A handwritten signature in cursive script that reads "Elmer B. Staats".

Comptroller General
of the United States

REPORT BY THE
COMPTROLLER GENERAL
OF THE UNITED STATES

REISSUING TAMPER-RESISTANT CARDS
WILL NOT ELIMINATE MISUSE OF
SOCIAL SECURITY NUMBERS

D I G E S T

Use of the social security numbering system as a means of identification has expanded far beyond its original purpose. For instance, the Federal Government--often due to congressional mandate--has used the number as an identifier or authenticator in many tax and welfare programs. Many other public and private entities use the number for similar purposes, as well, leading to increased opportunities to misuse the social security number and card, primarily to obtain unauthorized benefits and employment.

As an identifier, the number must be provided not only to get a job, but to pay taxes, to open a bank or savings account, or to invest money. Also, it must be furnished to apply for welfare or to join the armed services. It may be required when applying for a driver's license, registering to vote, applying for a library card, enrolling in college, presenting a case before the U.S. Supreme Court, or attending a meeting or social function at the White House. (See pp. 7 to 9 and app. III.)

EXTENT OF THE PROBLEM

These non-social-security uses of the number are not generally considered misuses. The three basic misuses associated with the social security number and card are: (1) obtaining numbers by submitting false information on personal identification or genuine and/or counterfeit documents of other persons in order to obtain unauthorized benefits, (2) using fabricated numbers that may or may not belong to other

people, primarily for employment, and
(3) altering and counterfeiting social
security cards.

No reliable statistics are available on the extent of misuse or abuse of social security numbers and cards; however, crimes based on false identification, which frequently include false and legitimate social security numbers, are estimated to cost the American taxpayers more than \$15 billion annually. (See pp. 10 and 11.)

In the past few years, several large-scale criminal operations involving false identification and social security number misuse have been identified. These misuses generally involve filing fraudulent income tax returns and obtaining unauthorized benefits from welfare programs and unemployment insurance programs. (See pp. 13 and 14.)

COMBATING THE PROBLEM

Over the past 8 years, the Social Security Administration (SSA) has taken a number of steps to strengthen the integrity of the social security numbering system. Currently, all applicants requesting original social security numbers must submit documentary evidence of age, identity, and citizenship or alien status along with the application. However, many social security numbers are still being obtained illicitly because applicants are submitting fraudulent documents. Furthermore, because the application forms are readily available, they have been obtained in large quantities or printed illicitly to help obtain fraudulent numbers. In addition, the blank social security cards are not tightly controlled. (See pp. 14 to 18.)

SSA has identified many fraudulently obtained numbers in its system, but has not flagged them for SSA and other agency uses. (See pp. 10 and 11 .)

Most identification documents, such as birth certificates and driver's and marriage licenses, are issued and regulated by each State. A birth certificate can be obtained fraudulently with relative ease from many States, and once obtained it can be used to get other identification documents. Without tighter State controls of vital statistics records, the validity of social security numbers issued on the basis of such documents is questionable.

Some of the problems contributing to social security number and card misuses are beyond SSA's control or authority. Curtailing these contributory problems will require inter-agency cooperation, action outside the Federal sector, and tighter issuance controls. (See pp. 10 to 13.)

THE "TAMPER-RESISTANT" CARD

To help prevent misuse of the card, the President and a Member of Congress proposed that SSA issue redesigned cards. In response to the President's proposal, the Secretary of Health and Human Services directed SSA to develop a "tamper-resistant" card.

SSA planned to begin issuing redesigned cards in 1980 to new applicants and to persons requesting replacement and name-change cards. However, issuance of the redesigned cards was postponed because legislation was introduced to reissue cards not only to new applicants, but to all current social security number cardholders.

SSA recognized that issuing redesigned cards to current cardholders would raise not only administrative and logistical concerns, but also questions related to privacy, funding, enforcement, and public acceptance and cooperation. Consequently, in October 1979, during GAO's review, the Commissioner of Social Security proposed that use of the

redesigned cards be delayed until the questions affecting reissuance could be discussed further within the executive branch. Such discussions were not held, however, and in January 1980, the Secretary of Health and Human Services decided that, in view of the SSA's "financing problems," a "tamper-resistant" social security card should not be issued at this time.

WHAT IS THE SOLUTION?

Reissuing the cards will not correct the underlying conditions contributing to social security number and card misuse. For instance, it will not prevent individuals from obtaining social security numbers using false identity documents, or from using someone else's number and card. Furthermore, neither SSA nor other public or private entities would benefit appreciably from such reissuance. Therefore, GAO questions whether the cost of reissuing the cards, which would be at least \$850 million and could be as much as \$2 billion, is justifiable. Additionally, from a logistical standpoint reissuance may not be practicable and may cause adverse public reaction. (See ch. 3.)

Any further studies of reissuing social security cards should include evaluations to make sure that all principal problems and alternatives have been adequately considered and that the proposed actions are in the best interest of the Government and the public.

RECOMMENDATION TO THE CONGRESS

It is a misdemeanor to obtain and use social security numbers fraudulently and a felony to counterfeit the Department of Health and Human Services' seal in reproducing social security cards. However, it is not a crime to print, photograph, or make any impression in the likeness of social security cards, or

to buy, to sell, transfer, or otherwise deliver such falsified, forged, or counterfeited social security cards.

GAO believes that, to improve the integrity of the social security number and abate social security number and card misuse, legislation is needed making such acts felonies. Bills that would do so have been presented to the Congress.

The Congress should enact such legislation.

RECOMMENDATIONS TO THE
SECRETARY OF HEALTH
AND HUMAN SERVICES

The Secretary should direct the Commissioner of Social Security to further strengthen the integrity of the social security number system by

- providing training to SSA field office personnel to enable them to more readily detect fraudulent evidentiary documents submitted with social security number applications,
- placing the social security number application forms and cards under tighter control, and
- flagging identified fraudulently obtained social security numbers for SSA and other agency uses.

Additionally, SSA should encourage the States to tighten controls over vital statistics records since State programs can be adversely affected by social security number misuse.

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The Department of Health and Human Services tentatively agreed with GAO's recommendations and said that corrective action was underway. (See p. 28.)

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ABBREVIATIONS

GAO General Accounting Office
HHS Department of Health and Human Services
INS Immigration and Naturalization Service
SSA Social Security Administration
SSN social security number

CHAPTER 1

INTRODUCTION

The social security numbering system began in 1936. Since then, over 267 million social security numbers (SSNs) have been issued on paper cards. At least 75 percent of these numbers were issued to applicants based solely on uncorroborated identifying information. The advent of computerized recordkeeping fostered the public and commercial use of the SSN as an identifier and the social security card as an identity document. ^{1/} Correspondingly, changes to the Social Security Act and the 1976 Tax Reform Act--between 1971 and 1979--have established a congressional intent that the Social Security Administration (SSA) take some non-social-security program uses into account when formulating its SSN policy. Accordingly, SSA has made several modifications to its SSN issuance procedures during the past 8 years.

THE PURPOSE OF THE SSN AND CARD

The Social Security Act, which became law on August 14, 1935, provided for collecting taxes for old-age benefits. Thus, a separate account of earnings and social security taxes withheld from each worker had to be maintained so that eligibility for benefits and the amount of these benefits could be correctly established at retirement. After the act was passed, social security program administrators realized that earnings information might come from various sources, and because many individuals shared the same name, more than a name would be needed to control the individual's record of earnings. Therefore, they created the social security numbering system to help identify employees' earnings covered by the act.

A nine-digit social security account number, commonly known as the social security number, was adopted. Individuals' numbers were printed and issued on a paper card. Although various card printing changes have occurred over the years, neither the SSN nor the paper on which it is printed has changed appreciably since the numbering system was established

^{1/}See page 9 and appendix III for a list of public and private SSN and card uses.

Basically, the paper card on which the number is printed was to be used as the employee's record of the account number issued and to provide the employer with the proper number for reporting earnings to the employee's social security account. The card was never intended to be used for identification, and such a statement was printed on all cards issued from 1946 until 1972 (See facsimiles of social security cards on the following page.)

BASIS FOR USING THE SSN AS AN IDENTIFIER

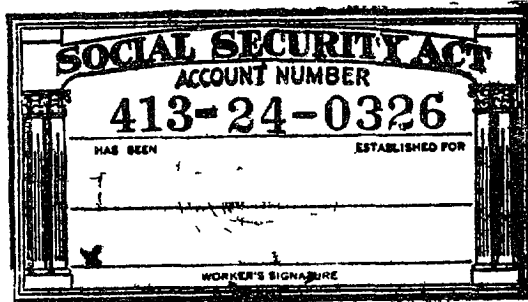
After the social security numbering system was implemented, the Federal Government recognized the SSN could be used as a convenient personal identifier. Therefore, in November 1943, Executive Order 9397 was issued, instructing all Federal components to use the SSN "exclusively" whenever the component head found it advisable to establish a new identification system for individuals. Consequently, with the advent of computerized recordkeeping systems, the SSN became widely used as a personal identifier or authenticator within the Federal Government. This use has since spread throughout the public and private sectors, as discussed in chapter 2.

THE ISSUANCE PROCESS AND SSA'S APPROACH TO IMPROVING THE INTEGRITY OF THE SSN AND CARD

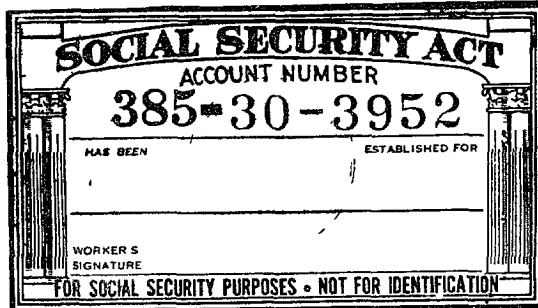
Initially, the SSN issuance procedures were designed for the convenience of persons applying for a number. Because millions of numbers had to be issued in a short time period, the process had to be simple. It was made simple because of the belief that the SSN would be used only for social security purposes and that a simple procedure would encourage public cooperation and support for the social security program. Furthermore, program administrators believed individuals would have little incentive to obtain more than one SSN for the purpose of defrauding the social security program because benefits were generally dependent on many years of covered employment during an individual's lifetime.

When the social security numbering program began, SSN applicants had only to complete a form stating their name (and name at birth if changed), date and place of birth, and parents' names, without submitting any evidence to support

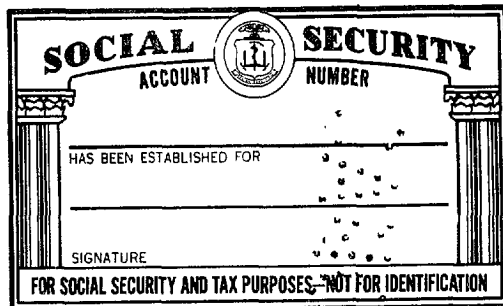
Facsimiles of Social Security Cards



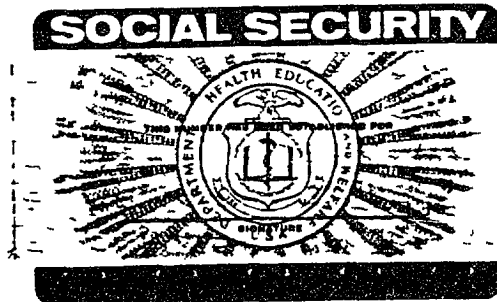
The original version of the social security card.



The seventh version of the social security card. This card, first issued in 1946, contains the SSA seal and shows "for social security purposes, not for identification."



The 15th version of the social security card. The legend on the card was changed in 1961 to read "for social security and tax purposes, not for identification." This version also has the Department of Health, Education, and Welfare ^{1/} seal, which first appeared in 1954.



The proposed social security card to be issued on banknote paper

^{1/}Now the Department of Health and Human Services (HHS).

Source: SSA

the information given. The social security program administrators recognized that this issuance procedure made it possible for individuals to obtain multiple SSNs, particularly if they provided false information. However, the administrators believed that controls were adequate to ensure proper benefit payments and that issuing and then detecting multiple numbers was, overall, more cost effective for SSA and more convenient for the public than having rigorous issuance procedures. This approach continued until November 1971.

Changes in the issuance process

The initial registration and issuance of SSNs and cards was accomplished by the U.S. Post Office Department through about 46,000 post offices. From November 1936 to June 1937, over 22 million numbers were assigned. As of July 1, 1937, the registration and issuance functions were assumed by SSA field offices. From 1937 to 1972, SSA field offices processed the SSN applications and issued virtually all numbers and cards "over the counter" to individuals without requiring proof of identity.

In March 1972, to obtain better control, SSA transferred issuance of original SSNs from its field offices to its central office in Baltimore, Maryland. In May 1973, the central office began inputting into a computerized system all data from applicants' initial SSN applications which it had received before 1973, and any new applications received thereafter. The new process enabled SSA to electronically screen and crosscheck SSN requests, helped to detect SSN applicants who had already been assigned an SSN, and thereby helped SSA to avoid issuing multiple numbers to applicants in such instances.

Currently, SSA has over 1,300 field offices that accept, process, and forward original SSN applications to data operations centers where the applications are checked for accuracy. If the information appears to be accurate, it is keyed onto computerized tape and forwarded to Baltimore. In addition to processing original applications, the field offices can issue replacement and name-change cards directly to individuals. SSN applications are also processed through many State offices, as SSA has agreements with 31 States, the District of Columbia, and Puerto Rico to help enumerate individuals who do not have an SSN when applying for or receiving benefits from the Aid to Families with Dependent Children program.

New issuance procedures
require evidence of identity

In November 1971 (in response to recommendations made by an SSA task force), SSA began requiring all applicants age 55 or older to provide simple evidence of identity to obtain an SSN. Additional changes occurred in 1972, when the Social Security Act was amended to require that SSA issue numbers to all legally admitted aliens and to anyone receiving or applying for any benefits paid in whole or in part with Federal funds. In implementing the amendments, SSA regulations required applicants applying for original SSNs to submit evidence of age, true identity, and U.S. citizenship or lawful alien status. However, SSA applied the evidence requirements only to foreign-born applicants, regardless of age, and to U.S.-born applicants age 18 or older.

In 1978, SSA again acted to improve the integrity of the SSN by implementing new procedures that tightened evidence requirements. These procedures, which became effective on May 15, 1978, required that:

- All original SSN applicants provide documentary evidence of age, identity, and citizenship or alien status.
- All applicants for replacement and/or corrected SSNs had to begin providing evidence of identity.
- SSA personnel conduct an in-person interview with all applicants age 18 and over who apply for an original number.
- SSA management establish employee accountability procedures to ensure that SSN evidence requirements are met.
- SSA management establish an improved and expanded quality control/quality assurance program for SSN activities.
- State and local agencies processing SSN applications for persons applying for benefits under the Aid to Families with Dependent Children program conform with SSA's evidence requirements.

Additionally, SSA management was to actively encourage schools and school systems to participate in voluntary SSN enumeration programs for students at the first-year, high school level. Also, SSA personnel were to increase their efforts to investigate SSN abuse and encourage U.S. attorneys to prosecute fraud cases.

Although SSA acted to tighten the issuance process, it recognized that the potential for misrepresentation of identity through the use of fictitious and fraudulently obtained SSNs and altered or counterfeit social security cards continued to exist.

In connection with the President's alien adjustment legislative proposal, 1/ SSA was directed by HHS to (1) develop a tamper-resistant card to help register and control the work status of aliens by issuing a social security card that would be less prone to forgery and (2) use it as one of an alien's identity documents. Accordingly, a tamper-resistant card was designed and approved for issuance to aliens and all other future cardholders beginning in 1980.

However, because of congressional interest in reissuing tamper-resistant SSN cards to all present and future cardholders, SSA reviewed the problems of reissuance and recommended that the Secretary of HHS discuss with the executive branch questions concerning SSN issuance/reissuance. Such discussions were not held, but HHS decided that, because of SSA financing problems, issuance of the redesigned social security card should be postponed. (See ch. 3 for further discussion on the reissuance of social security cards.)

The objectives, scope, and methodology of our review are discussed in chapter 5.

1/In August 1977 the President, in a message to the Congress, proposed that several actions be taken to improve the alien adjustment legislation. The principal objectives of his proposal were to (1) regain better control of the U.S. borders, (2) limit employment opportunities for undocumented aliens who are competing with Americans for jobs, (3) register and regulate aliens who are already in the United States, and (4) improve cooperation with countries from which undocumented aliens have come into this country.

CHAPTER 2

USING THE SSN FOR IDENTIFICATION

PROVIDES ADDITIONAL OPPORTUNITY FOR MISUSE

SSN misuse has become more prevalent since both public and private entities began using the number extensively for identification, recordkeeping, data exchange, and data cross-referencing purposes

Although the extent of SSN misuse is unknown (for successful misuse is, by definition, undetected), several large-scale, criminal operations involving SSN misuse have been discovered in the past few years. Generally, this misuse has involved obtaining numbers and cards by supplying false identity information and then using the number along with other false identification for illicit purposes.

USE OF THE SSN AS AN IDENTIFIER IS WIDESPREAD

Executive Order 9397 (issued in 1943) and laws enacted since then sanction Government use of the SSN as an identifier; however, the order and laws are silent regarding private sector use of the number. Although reliable statistics are not available on how many State and local governments and privately owned businesses use the SSN as an identifier, indications are that such use is widespread and growing.

The first step in extending the use of the SSN beyond the purpose of the social security program was taken by the Social Security Board (the predecessor of SSA) in 1937. The Board decided that the States should use the SSN to administer unemployment insurance programs, rather than having each State agency develop its own identification system. As a result, many workers not covered by the social security program received numbers for use in State unemployment insurance programs

Further expansion of the SSN as an identifier came in 1943, when the Civil Service Commission 1/ decided there should be a numerical identification system for Federal

1/Now the Office of Personnel Management.

employees and proposed using the SSN for that purpose. The Commission's proposal led to the issuance of Executive Order 9397, which states:

"Hereafter any Federal department, establishment, or agency shall, whenever the head thereof finds it advisable to establish a new system of permanent account numbers pertaining to individual persons, utilize exclusively the Social Security account numbers * * *."

Although the order was issued in 1943, the Commission did not actually establish a system using the SSN as the identifying number until 1961. The SSN was not used extensively as an identifier until the 1960s, when Federal agencies began to develop computer-based recordkeeping systems that made the use of preestablished numerical identifiers attractive.

Perhaps the most important expansion in the use of the SSN came in 1962, when the Internal Revenue Service began using the number for taxpayer identification and authentication. Since 1962, the Federal Government--often due to congressional mandate--has expanded the use of the SSN far beyond its original purpose. A chronology of Federal Government uses of the SSN since 1962 is shown in the table on the following page.

SSN uses by other public and private entities are widespread, and it would be impractical to try to list them all; however, some examples are included in appendix III

The SSN and its use in interagency data exchange projects

The SSN is also widely used by the Federal and State governments in interagency data exchange projects. During the past few years, the SSN has been used in computer analyses to match records to identify unauthorized payments. Some examples:

--States' Aid to Families with Dependent Children rolls were matched against each other.

--Federal payrolls were matched against SSA benefit rolls.

--Aid to Families with Dependent Children program payments were matched against SSA's summary earnings record.

<u>Year</u>	<u>Responsible authority</u>	<u>New use for SSN</u>
1963	Treasury	To register U S securities (other than U S savings bonds)
1964	Treasury	Buyers of series H savings bonds required to provide their SSNs
1964	SSA	Approved issuance of SSNs to ninth grade pupils if requested by a school
1965	SSA	To administer State old-age assistance programs
1965	The Congress	Passed Medicare legislation, requiring recipients to provide SSNs
1965	Civil Service Commission	To administer civil service annuitant program
1966	Veterans Administration	As hospital admissions number and for patient recordkeeping
1967	Department of Defense	As the service number of all military personnel
1972	Treasury	Banks, savings and loan associations, credit unions, and brokers/dealers in securities required to obtain SSNs of all their customers
1972	The Congress (Social Security Amendments of 1972)	All recipients of benefits funded wholly or partially by the Federal Government were encouraged to provide their SSNs
1973	Treasury	Buyers of series E savings bonds required to provide their SSNs
1974	The Congress (Social Services Amendments of 1974)	SSN became an entitlement requirement in the Aid to Families with Dependent Children program
1976	The Congress (Tax Reform Act of 1976)	Authorized States to use SSNs to administer tax, welfare, driver's licenses, and motor vehicle registration laws

--Veterans benefit rolls were matched against Supplemental Security Income benefit rolls.

--HHS payrolls were matched against the District of Columbia's Aid to Families with Dependent Children payment records.

--HHS payrolls were matched against Retirement, Survivors, and Disability Insurance and Supplemental Security Income payment records.

--Federal civilian and military payrolls were matched against State Aid to Families with Dependent Children payment records.

As illustrated above and in appendix III, the SSN is used for various purposes. However, the uses cited, although they are non-social-security uses, are not generally considered misuses. Misuse of the number and card is generally associated with an illicit act to obtain unauthorized benefits.

SSN MISUSE IS EXTENSIVE, BUT NO
FIRM STATISTICS ARE AVAILABLE

Basically, the opportunity for SSN misuse results from the increased use of the SSN as an identifier or authenticator in various Federal and State welfare, tax, and unemployment insurance programs. Since the SSN is legally required of most participants in such programs, a person seeking to obtain unauthorized benefits through false identification must either use one or more false SSNs or obtain multiple valid SSNs. Many multiple SSNs have been obtained and used in this way. Also, many fictitious SSNs and SSNs belonging to other individuals have been used fraudulently.

Although SSN misuse is known to be widespread, it is impossible to estimate exactly how much it is costing the American taxpayer because many such crimes go undetected and unreported. However, according to HHS and Department of Transportation estimates, crimes based on false identification, which frequently include false and legitimate SSNs, cost the American taxpayers more than \$15 billion annually.

Over the years, many individuals have obtained multiple SSNs. According to an SSA task force report, many of the known multiple numbers were issued during the early years

of the program, when some people believed that they needed a new number each time they changed employment and when SSA's screening procedures--the process used to determine whether an individual had already been issued an SSN--were not as efficient as they are now. However, other multiple SSNs have also been obtained, either inadvertently, because of problems in the issuance process, or because individuals have provided false (fraudulent) information to support SSN applications.

Through flagging the fraudulently obtained SSNs, SSA could improve the Government's ability to detect illicit uses made of such SSNs against Federal and State benefit programs. As previously mentioned, the interagency data exchange projects sought to identify unauthorized benefit payments in selected Government programs. However, fraudulently obtained SSNs that had been detected by SSA were not matched against those benefit rolls to determine if such illicitly obtained numbers were being used.

Therefore, a person could probably have been listed on multiple jurisdictional benefit rolls indexed under several fraudulently obtained SSNs. Moreover, when SSA verifies an SSN at the request of another agency, it does not disclose additional SSNs, if any, which it has cross-referred for that person unless such information is specifically requested by the agency, and the additional SSNs are provided for which verification is to be made. Consequently, Federal and State agencies may be exposed to fraud if they depend on a simple "SSN Match" verification procedure.

According to a 1971 SSA task force report, the SSN system contained over 8 million known multiple numbers--instances where individuals were issued more than one number. The task force also reported that most individuals with multiples hold only two numbers, and if that is the case, about 4 to 5 million individuals have been assigned more than one number.

Although no one knows how many undetected multiple numbers the system contains, the task force assumed that the number was "exceedingly small." According to their report, most undetected multiple numbers have escaped detection because the applications on which they were issued contain widely discrepant information (e.g., different names, dates of birth, or parents' names). Therefore, SSA's screening and

cross-reference processes have not identified these applications as originating from one individual.

SSA has reported on and we observed incidences that may cause multiple SSNs to be issued, mainly because SSA field office personnel do not always comply with the issuance procedures. For example:

- Incomplete or inaccurately coded applications were forwarded for processing.
- Evidentiary procedures were not always followed.
- Misuse of SSN expediting procedures (the communication system used by field personnel to obtain an SSN for an applicant when there is an immediate need) is causing issuance of many duplicate cards with the same number and some multiple numbers.

Moreover, during our visits at SSA's field offices, we noted that one of the factors contributing to these breakdowns in SSN issuance procedures is that, in some cases, newly hired, low-salaried employees who were inadequately trained in issuance procedures were assigned as SSN account clerks. In addition, they were inadequately trained to determine, upon inspection, the genuineness of those evidentiary documents that SSA is currently relying upon for SSN issuance.

SSA is aware of weaknesses in its SSN issuance process and has taken some steps to correct them. For example, SSA has already begun training personnel in fraudulent Immigration and Naturalization Service (INS) document detection. Sometimes such identity documents are presented by persons purporting to be "legal aliens" when applying for SSNs.

Currently, SSA requires documentary evidence of age, identity, and citizenship or alien status of all original SSN applicants. However, as discussed later in this report, people may obtain single and multiple numbers by submitting false information based on fictitious or fraudulent documents. These people may be trying to assume new identities or to commit illicit acts.

Although not all inclusive, the identified SSN misuse involves

- using the SSN, along with false identification or false information, to obtain unauthorized benefits;
- using someone else's SSN, primarily for employment; or
- borrowing, stealing, counterfeiting, buying, or selling social security cards.

How the SSN is misused to obtain unauthorized benefits

Although the full extent of SSN misuse is unknown, we identified and obtained information on a number of instances in which the SSN was used to obtain unauthorized benefits. The following examples illustrate the kinds of SSN misuse we noted. (See app. IV for additional cases of SSN misuse.)

- An individual in Washington State obtained three SSNs. Two SSNs were acquired under aliases. The individual used two numbers to obtain Supplemental Security Income payments, veterans' benefits, and Disability Insurance benefits, while working under the third number.
- A recipient in California was charged with using false identification documents, including SSNs, to assume the identity of eight separate persons having a combined total of 47 children to defraud the Aid to Families with Dependent Children and Food Stamp programs out of almost \$300,000.
- An individual in Oregon obtained 170 SSNs and filed over 50 false income tax returns for refunds before being detected.
- A former Internal Revenue Service employee obtained an SSN under an alias and used it to file four separate false income tax returns claiming about \$653,000 in refunds. The individual received and cashed three refund checks totaling \$565,340 before being caught.

- Two individuals obtained 425 SSNs in the names of fictitious persons. They then filed 850 fictitious Federal income tax returns and 800 State income tax returns claiming approximately \$400,000 in refunds. The individuals received about \$180,000 before being caught.
- Several individuals in California used fictitious SSNs and fictitious personal names to create nonexistent businesses and reported salaries paid to employees and withholdings to the State unemployment insurance fund. They then posed as employees of the businesses to collect unemployment insurance benefits.
- An individual in New Jersey received unemployment compensation benefits under his name and SSN while working under another person's name and number. This individual was convicted for illegal use of an SSN.

Tighter issuance controls have increased the use of fraudulent documents to obtain SSNs

Even though the SSA field offices have tightened issuance controls since 1974 by requiring applicants to furnish documentary evidence of age, identity, and citizenship or alien status and are conducting in-person interviews with applicants age 18 and older, SSNs have been obtained illicitly. For example, we selected for validation 31 SSNs which had been in the possession of illegal aliens before being deported. Thirty of those had been issued by SSA; one had not. In 15 of these cases, the names on file with SSA did not match the names of the illegal aliens. In the other 15 cases, the names of the illegal aliens matched those on file with SSA. The one not issued by SSA obviously was a fictitious number. Accordingly, there were 30 SSNs obtained by (1) submitting false information or documentation to SSA or (2) other means-- borrowing, stealing, buying, altering, or counterfeiting the cards using numbers on file with SSA.

Some SSN applicants submit fraudulent documents to SSA field offices and, although many false documents are detected and rejected before issuing an SSN, some may not. In March 1979 one of SSA's field offices discovered some cases involving

fake Virgin Islands birth certificates. They had been submitted in support of benefit and SSN applications. Following this incident, SSA's field integrity staff began checking the validity of other Virgin Islands birth certificates and found that about 25 percent were counterfeit.

Based on this experience, SSA is planning to verify all Virgin Islands birth certificates received in the field office before adjudicating benefits and SSN applications. SSA does not know how many SSNs have been issued to applicants based on false documents.

SSA accepts several types of evidentiary documents to substantiate age, citizenship, and identity. The primary documents used to obtain an SSN are a birth certificate or baptismal record (to establish age and citizenship) and a school record or marriage or driver's license (to establish identity)

Most of these evidentiary documents are issued and regulated by the States. Although some States have tightened issuance controls over such documents, they can still be fraudulently obtained with relative ease. For example, we noted that birth certificates can be obtained, in several States, from State, county, and city government offices by applying for them either in person or in writing and providing minimal biographical data about the person whose birth certificate is requested. Such information about a person (i.e., date and place of birth and parents' names) can be obtained from public records, tombstones, and the obituary section of some newspapers. Moreover, these State and local government offices that issue birth certificates generally do not keep records of how many certificates were issued or to whom they were issued.

Accordingly, many individuals can obtain SSNs by submitting genuine or counterfeit birth certificates that belong to other people. A case currently under investigation by SSA indicates how counterfeit birth certificates can be used to obtain SSN cards. Over 500 SSNs were issued to alleged Illinois residents on the basis of Texas birth records. Because fraudulently obtained Texas birth records had become a problem for SSA, it attempted to verify these 500 alleged birth records with the Texas Bureau of Vital Statistics. That office, however, could not verify that any of these

'alleged Illinois residents were born in Texas even though it keeps record of all births in the State.

At the time of our review, it was not known whether the SSN applicants in this instance exist and have the cards and numbers or the situation is an example of a fraudulent document production/brokerage scheme devised to obtain and sell cards. HHS' Office of Inspector General, Chicago, initiated an investigation of this matter and has confiscated equipment and other evidence related to counterfeit document production.

Although some SSA field office personnel have been trained to detect fraudulent INS documents, SSA has provided no training on how to detect fraudulent birth records. We found that fraudulent birth certificates, baptismal records, and INS documents were being presented at some of the field offices. But, we found no instances where the field offices knowingly processed an SSN application if a false document or false information were presented. However, if false documentation passes inspection, there is no reason to believe that the application would not be processed and an SSN issued.

During our review of SSA's evidentiary document inspection procedures, we observed instances that indicated the inspections were inadequate. At three SSA field offices, SSA personnel reviewed such documents as driver's licenses, and marriage and birth certificates in a cursory manner. The emphasis was on whether the SSN applicant had the necessary documents, but not on whether they were authentic or whether they belonged to the bearer of such documents.

For example, in one of these SSA field offices, an SSA application had been accepted for processing even though it had unusual characteristics. The applicant was 37 years old and allegedly had never had an SSN. Moreover, his birth certificate indicated Cook County (Chicago) 1/ as his birthplace. The SSA employee who accepted this application said that, when she considered the total circumstances in this case, she became suspicious, but did not feel that it was her obligation to inquire into the validity of such documents.

1/A large false document production and distribution operation in Cook County was then under investigation by HHS' Office of Inspector General.

We asked the field office to verify the birth certificate submitted, in support of the SSN application with the Illinois Bureau of Vital Statistics; that office did not have any such birth record. The SSA field office stopped processing the application, and the SSN was not issued.

We discussed this problem with SSA headquarters officials, who agreed that proper training of SSA field office personnel in inspection and verification of evidentiary documents would help prevent SSA from assigning SSNs on the basis of fraudulent documents.

Uncontrolled and unprotected SSN applications and blank social security cards can cause adverse effects

The forms on which the SSN application is made and the number is printed (Form SS-5 and Form OA 702, respectively) are not sufficiently controlled and protected against unauthorized uses. They can be, therefore, a potential source for wholesale filing of fraudulent SSN applications and a flood of improper social security card issuances.

SS-5 forms are available to the public in large uncontrolled quantities and may be obtained at all SSA field offices and at many State agencies. These forms are distributed to the public, upon request, through the mail or in person from any of the above outlets.

SSA has detected many fraudulently filed SSN applications. Through its investigations, SSA determined that, in several instances, such applications had common identifying characteristics (i.e., similar handwriting) in their preparation. SSA investigators were able to trace them to several large-scale fraudulent SSN application and card supply schemes. For example, SSA reported in July 1978 that it had intercepted 35,000 bogus SS-5s, which were submitted from one illicit firm in California. According to SSA's data, such bogus applications had arrived at SSA at a rate of 300 to 1,000 per week. In another fraudulent SSN application scheme, SSA noted that over 500 SSNs had been issued before its detection based on fraudulently prepared applications.

The Forms OA 702, (cards) on which SSA prints the applicant's SSN, are stored at SSA's central office and its district offices and teleservice centers. These blank cards are under limited physical control and protection. For instance, the cards are shipped and received through the regular mail in bulk quantities--2,250 per case. At one field office 17 cases of cards were available, stored in a lockable cabinet. However, clerical personnel had day-to-day access to them. Also, they had a "working supply" in their own desks. Moreover, we noted that there was no control over the card stock; therefore, the field office could not tell if any blank cards had been misplaced or stolen.

The blank social security card is particularly vulnerable to unauthorized use. A firm dealing in fraudulent social security card supply would only have to fill out such blank cards with whatever name desired and assign an SSN to each. The names and numbers could be those of other persons or may be fictitious. In either case, the potential for fraudulent SSN use is almost unlimited.

Counterfeiting or altering
social security cards is not unlawful

Although it is a Federal crime to furnish false information to obtain an SSN, it is not a crime to counterfeit a card, alter a valid card, or lend or sell a card to another person. It is a crime, however, to reproduce the HHS seal. Reproduction of the HHS seal is a violation of 18 U.S.C. 506.

INS officials stated that many illegal aliens are apprehended with metal social security cards (which not only contain no seal, but are not even a good replica of the "real McCoy" as SSA does not print metal cards) or counterfeited or altered paper cards (which may contain the HHS seal) in their possession. According to an SSA investigation, the metal cards with any number desired, SSN or other, sell for about \$3, while counterfeit paper cards sell for \$10 to \$50 each. A valid social security card may sell for \$25 to \$250 or more. Because SSA's investigative jurisdiction is limited to violations of the Social Security Act and, according to an SSA official, most of these cards do not contain the HHS seal, it has no authority to investigate or recommend prosecution on most acts described above.

HHS and Members of Congress have submitted legislative proposals to increase the penalty for SSN misuse from a fine of not more than \$1,000, imprisonment of not more than 1 year, or both (misdemeanor), to a fine of not more than \$5,000, imprisonment of not more than 5 years, or both (felony). Legislation has also been proposed to establish similar penalties for using nonexistent SSNs for fraudulent purposes and for counterfeiting, altering, buying, or selling social security cards (H.R. 10652, Jan. 1978, 95th Cong.; S. 267, Jan. 1979, 96th Cong.; H.R. 6652, Feb. 1980, Sec. 109, 96th Cong.).

CHAPTER 3

REISSUING SOCIAL SECURITY CARDS ON TAMPER-RESISTANT

PAPER WOULD BE COSTLY AND OF LITTLE VALUE

SSA postponed implementing a proposal to reissue social security cards on tamper-resistant paper to the current 200 million cardholders. However, if such cards are reissued, the problems associated with the widespread misuse of SSNs and cards will not be solved because the underlying conditions contributing to misuse will still exist. Furthermore, from the view of SSA and other public and private entities we contacted, the benefits of reissuing the cards to all current cardholders will not justify the estimated \$850 million to \$2 billion cost and the logistical problems expected.

After investigating the reissuance problems, SSA recommended to the Secretary of HHS that discussions be held with others in the executive branch on the subject of social security card issuance and reissuance before proceeding further. The Secretary of HHS, due to "SSA financing problems," decided not to issue the redesigned cards. The Secretary stated that reissuance should be addressed following "the post-1980 evaluation" of SSA financing problems.

IMPETUS TO ISSUE REDESIGNED SOCIAL SECURITY CARDS

In late 1976, SSA officials considered redesigning the social security card to combat increasing fraud and abuse involving SSNs. However, SSA made no change in the card because it felt that, to deter fraud, all existing cards would have to be replaced and that this would be too expensive. Consequently, the Commissioner of Social Security decided that SSA should neither propose nor endorse proposals for tamper-resistant social security cards.

In April 1977, however, the Secretary of HHS directed SSA to explore alternative card formats and compositions that would be tamperproof and less susceptible to counterfeiting. This action was taken when the President introduced proposed alien adjustment legislation designating the social security card as one of the authorized identification documents for aliens. Four types of material for social security cards were considered: plastic, plastic with magnetic strip,

security filmcoated, and banknote paper. SSA eventually determined that a card made of tamper-resistant paper (banknote) would be the most cost effective.

In August 1978, approval was given by HHS to redesign and issue the social security cards on tamper-resistant paper. The redesigned card was to be issued, beginning in 1980, to new applicants and applicants requesting replacement cards. The redesigned card was to contain, in addition to the SSN and the cardholder's name, the date of birth and sex. During 1979 SSA obtained three design models from the Bureau of Engraving and Printing. However, in January 1979 Senator Moynihan introduced legislation (S. 266, 96th Cong., 1st Sess.), which would require SSA to reissue social security cards to all current cardholders. Thus, SSA postponed issuance to new applicants only and initiated studies to address the various aspects of reissuance to all cardholders.

During 1978 and 1979, SSA prepared various internal discussion papers addressing the

- cost of issuing redesigned cards to new applicants versus issuing redesigned cards to new applicants and all current cardholders;
- benefits of card reissuance to SSA, other agencies, and individuals;
- level of card security required to prevent potential counterfeiting;
- time frames for card reissuance;
- evidentiary requirement of individuals (affected by card reissuance);
- enforcement operations needed for card reissuance;
- need for new, and effect of pending, legislation on card reissuance; and
- source of funding for card reissuance.

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SSA'S OPTIONS FOR IMPROVING INTEGRITY
OF THE SOCIAL SECURITY CARD

In October 1979, the Commissioner of Social Security issued a memorandum to the Secretary of HHS addressing the various options available for social security card issuance. According to the Commissioner, suggestions had been made to improve the integrity of the SSN and card by issuing redesigned cards that would be tamper resistant and difficult to counterfeit. Furthermore, redesigned cards would reduce the potential for misrepresentation of identity through the use of fraudulent SSNs and stolen or counterfeit social security cards. The Commissioner stated that, although misrepresentation of identity is not a real threat to the social security system, SSA may have to issue redesigned cards to all new applicants and all current cardholders if the SSN is to be improved as an identity document. The Commissioner recognized that social security card reissuance presented a number of problems and that SSA or HHS alone should not make the decision to issue redesigned cards to all current cardholders. The options proposed by the Commissioner and their advantages and disadvantages are presented below.

Option 1--SSA would issue redesigned social security cards to those applicants being assigned SSNs for the first time and those requesting replacement and name-change cards. According to SSA, this would be the most cost-effective way to meet the President's goal of an upgraded, tamper-resistant social security card, and it would show the Congress that SSA was acting to develop and use a tamper-resistant card. SSA recognized, however, that integrating the new cards into society would be slow. Since more than 80 percent of new issuances currently go to applicants under age 18, it would take about 60 to 80 years for existing cards to be phased out through the regular replacement process. Therefore, although the new cards would be better identifiers, they would have little immediate value in deterring fraud. Anyone wishing to counterfeit, alter, or otherwise misuse social security cards could simply use the old version.

Option 2--SSA would issue redesigned social security cards to all applicants and current SSN cardholders. The estimated 200 million social security cards currently used would be systematically replaced with new cards over a 5- to 10-year period. Each existing SSN holder would be required

to submit evidence of identity, age, and U.S. citizenship or alien status, and each SSN would be verified before a new card was issued. Substantial adverse reaction to this option could be expected, both from private citizens and Members of Congress.

Although this option would be the quickest method of disseminating new tamper-resistant cards to all cardholders, it would be difficult to justify financing such a project with social security trust funds because the value of tamper-resistant cards would accrue largely to other agencies or private enterprises.

Option 3--SSA would continue to issue the current social security card while working with other concerned Federal agencies to develop legislation addressing the questions of social security card reissuance, its financing, the privacy implications, and the associated responsibilities of various Federal agencies. This option would allow the President, the Congress, and the public to analyze thoroughly a number of competing considerations before taking a major action.

Option 4--SSA would continue to issue the current social security card. Existing evidence requirements would continue to be applied to current applicants, but no attempt would be made to identify or verify the records of other SSN holders.

The Commissioner recommended option 3 to the Secretary of HHS and requested a decision before proceeding further with plans to issue redesigned social security cards. In January 1980, the Secretary decided that, in view of SSA's "financing problems," the social security card should not be reissued at this time.

We discussed the Secretary's decision to postpone the designing and issuance of a "tamper-resistant" card with a member of her staff. This official said that the Secretary believes the present social security card is adequate for SSA program purposes, therefore, the Secretary's office does not have plans to pursue the social security card redesign issue in the future unless SSA decides that a "tamper-resistant" card is needed.

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MAJOR UNDERLYING CONDITIONS ALLOWING
PEOPLE TO IMPROPERLY OBTAIN AN SSN
WILL NOT BE RESOLVED BY REISSUANCE

Regardless of whether a redesigned social security card is issued, certain underlying conditions contributing to misuse will continue to exist. For example, people will still be able to obtain one or more SSNs by using false evidentiary documents, such as birth certificate, driver's license, baptismal record, or immigration record. Furthermore, the card will have no more validity as an identity document since most employers, financial institutions, etc., do not ask to see it. And if they did, they probably could not determine its validity.

Since it is not illegal to alter, buy, borrow, or sell SSNs and cards, anyone may still, with impunity, be able to get valid or invalid SSNs by fabricating, purchasing, borrowing, or stealing SSNs and cards and by counterfeiting old social security cards.

Generally, it is the SSN and not the card which is being misused and social security card reissuance will not correct this misuse. According to officials at SSA and many public and private sources we contacted, most entities never ask to see the social security card, since there is no requirement, legal or otherwise, to view the card to ensure it belongs to the presenter. Furthermore, even if an entity looks at the social security card, it is usually only to verify the accuracy of the SSN for recording and reporting purposes.

SOCIAL SECURITY CARD REISSUANCE WOULD
BE COSTLY AND SHOULD NOT BE FINANCED
BY THE SOCIAL SECURITY TRUST FUND

SSA estimated the cost of reissuing the social security cards at about \$850 million; however, this amount did not include costs for extended office hours, additional personnel and office space, purging of SSN records, or corollary workloads. Such corollary workloads would include

- reconciling earnings discrepancies,
- processing additional claims,
- processing over- and underpayments,

- developing fraud cases, and
- providing public information.

SSA estimated that these additional costs added to its estimated cost of \$850 million for reissuing the cards could bring the total cost of the reissuance operation under option 2 to as much as \$2 billion.

SSA recognized it would be difficult to justify financing card reissuance with social security trust funds. According to SSA, any real benefit of a tamper-resistant card (which assists in identification) would accrue only to other agencies because perpetrating fraud against the social security system by mere possession of a counterfeit or fraudulently obtained social security card is practically impossible. Furthermore, reissuance of the cards could not guarantee a totally fraud-proof system.

SIGNIFICANT LOGISTICAL PROBLEMS
ARE INVOLVED IN REISSUING
SOCIAL SECURITY CARDS

Several logistical problems are associated with reissuing 200 million social security cards. We believe these problems, combined with the anticipated cost, make reissuance of existing cards impractical. For SSA to reissue over 200 million social security cards, one of its most difficult tasks may be to devise and implement a plan by which to contact all current social security cardholders. This could include acquiring the current resident address of millions of social security cardholders, since SSA does not maintain current mailing addresses of cardholders--it does not need to for SSA program purposes--except those who are active social security beneficiaries.

SSA has identified the following issues related to administrative and logistical problems that we believe should be considered and addressed if reissuance is ever attempted:

- A realistic time frame for reissuance would have to be developed.
- Legislation would probably be needed requiring all current cardholders to replace their cards. Many people will not want to participate voluntarily because of the inconvenience and belief that the new card would be another step toward a national identity document

- Efficient methods would be needed for obtaining current addresses of cardholders and for contacting the cardholders both inside and outside the United States. A substantial number will probably be unlocatable.
- An assessment would have to be made of personnel requirements, additional field office space, and expanded office hours to accommodate the workload associated with the reissuance. Personnel, office space, and working hours would probably have to be increased.
- Other Federal, State, and local agencies involved in providing documentary evidence of identity would have to cooperate with SSA. Many State and local bureaus of vital statistics would probably have to be contacted regarding birth records.
- A means would have to be developed for identifying potential claims area impact regarding over- and underpayments, beneficiaries no longer entitled, denied claimants now entitled, earnings discrepancies, and benefit fraud.
- Procedures would have to be developed to deal with fraudulent card requests, since many allegations would probably be made that the old card had been lost or stolen.
- Enforcement activities would be needed to detect false documents and to investigate and prosecute fraudulent users of SSNs to ensure continued integrity of the new cards.
- SSA would need procedures for accounting for all old cards turned in, new cards issued, and card material used.
- SSA would have to recover and destroy cards after the cardholder dies.

CHAPTER 4

CONCLUSIONS, RECOMMENDATIONS, AND AGENCY COMMENTS

CONCLUSIONS

As the uses of the SSN have increased, so have the opportunities for misuse. In our view, it seems unlikely that cost-effective measures can be devised that will defeat all those determined to commit fraud. However, measures can be taken that will raise the risk of detection to the point that the casual or less committed misusers are deterred. We believe that additional improvements can be made in the SSN system to deter SSN misusers, and such improvements would be more beneficial than reissuing social security cards.

Reissuance of the card will not solve the problems associated with unauthorized employment of undocumented aliens, public and private benefit program fraud, or any other misuse, without (1) appropriate legislation dealing with the problems, (2) cooperation from other entities, and (3) adequate validation of the records on which SSNs are based.

Furthermore, we believe SSA is relying on documents that are often weak links in the identification chain. A birth certificate that appears genuine can be fraudulently obtained with relative ease from many States and once obtained it can be used to get other identification documents. SSA has no control over the issuance of these identification documents; therefore, without tighter State controls, individuals may continue to obtain SSNs with fraudulently obtained identification documents.

RECOMMENDATION TO THE CONGRESS

We recommend that the Congress enact legislation similar that proposed, making it a felony to fraudulently obtain or use one or more SSNs or to alter, reproduce, counterfeit, buy, or sell the SSN or card.

RECOMMENDATIONS TO THE SECRETARY OF HHS

We recommend that the Secretary direct the Commissioner of Social Security to further strengthen the integrity of the SSN system by

- providing training to social security field office personnel to enable them to more readily detect fraudulent evidentiary documents submitted with SSN applications,
- placing the SSN application forms and cards under tighter controls, and
- flagging identified fraudulently obtained SSNs currently in the system for SSA and other agency uses.

Additionally, SSA should encourage the States to tighten their controls over vital statistics records since State programs can be adversely affected by SSN misuse.

AGENCY COMMENTS

HHS tentatively agreed with our recommendations and indicated that corrective actions are underway. HHS' comments are included as appendix II.

CHAPTER 5

OBJECTIVES, SCOPE, AND METHODOLOGY

We reviewed the history and development of the SSN and card as reported by various committees, commissions, and task forces appointed over the years to study problems related to the issuance and use of the numbers. We also reviewed the Federal laws, regulations, reports, congressional hearings, proposed legislation, procedures, and instructions relating to issuance and use of the numbers and cards.

Our review objectives focused on the (1) problems associated with using social security numbers and cards as identifiers in both the public and private sectors and the problems associated with number and card misuse, (2) reasons for issuing redesigned social security cards and the problems associated with such issuance, and (3) appropriateness of using social security trust funds to pay for reissuing the cards. We also examined numerous records, documents, and reports relating to misuse of SSNs and use of false identity documents to obtain the numbers.

We made our review at SSA headquarters in Baltimore, Maryland, and at 20 SSA field offices in nine States. During the review, we discussed the procedures used in issuing the number and card with SSA headquarters and field personnel and observed the application process at several field offices.

In addition, we contacted officials of the following agencies and obtained their comments on the use of the SSN and card.

FEDERAL

- INS.
- Internal Revenue Service.
- Department of Labor.
- Department of Transportation.
- U.S. Department of Agriculture.
- HHS' Office of Inspector General, Division of Investigations.

We also visited the El Paso, Texas, Intelligence Center (Federal), Fraudulent Documents Section, and the INS Alien Documentation, Identification, and Telecommunication card production facilities in Arlington, Texas.

STATE

We contacted officials of the State Bureau of Vital Records/Statistics in seven States to determine how birth certificates are issued and to get some ideas as to the extent to which they may be falsely obtained and used as evidentiary documents by persons applying for SSNs. We also contacted officials in the following State agencies:

- Texas Department of Human Resources.
- Texas Employment Commission.
- Texas Department of Public Safety.
- Oklahoma Department of Public Safety.
- Mississippi Department of Public Safety.
- Texas Department of Parks and Wildlife.

LOCAL

We contacted officials in the vital records offices of both the city and county of Dallas, Texas. We also contacted officials in the personnel offices of the city of Dallas and the Dallas Housing Authority.

We contacted 5 educational institutions, 7 financial institutions, 11 private employers, and 2 credit bureaus. We also reviewed data from our survey of SSN misuse conducted in 1977 and 1978 and have used some of these data in this report. The survey contained information from SSA officials (at headquarters and in San Francisco and Los Angeles), the Internal Revenue Service, INS, the U.S. Postal Service, the National Bureau of Standards, and the Los Angeles County Public Social Services Department.

EDWARD M. KENNEDY MASS CHAIRMAN

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DAVID BOIES
CHIEF COUNSEL AND STAFF DIRECTOR

United States Senate

COMMITTEE ON THE JUDICIARY

WASHINGTON D C 20510

June 7, 1979

Honorable Elmer B. Staats
Comptroller General
General Accounting Office
Washington, D. C. 20548

Dear Mr Staats

On April 26, 1979, I requested your office to investigate the forging or counterfeiting of Social Security cards, inside and outside the Social Security Administration, and the acquiring of Social Security numbers under false pretenses. In this connection, I was requesting answers to certain specific questions.

During various meetings with members of your staff I have become concerned about the widespread use of the card as an identifier. Further, I believe that many members of the Congress do not realize the problems associated with such use of the card. I understand the Social Security Administration is considering reissuing the cards and has estimated that it would cost between \$400 and \$850 million dollars to reissue them on forgery proof paper, during the next few years, beginning in 1980.

In view of the above, I would like to revise my original request and ask that your office review the problems associated with the use of Social Security cards as an identifier in both the Federal and private sectors, an evaluation of why the trust funds should be used to pay for the cost of reissuing the cards; and whether reissuing these cards will correct the problems.

Sincerely,



Max Baucus, Chairman
Subcommittee on Limitations of
Contracted and Delegated Authority



DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General

Washington D.C. 20201

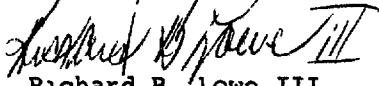
14 NOV 1980

Mr. Gregory J Ahart
Director, Human Resources
Division
United States General
Accounting Office
Washington, D.C. 20548

Dear Mr Ahart

The Secretary asked that I respond to your request for our comments on your draft report entitled, "Reissuing Tamper-Resistant Social Security Cards Will Not Eliminate the Increasing Misuse of Social Security Numbers." The enclosed comments represent the tentative position of the Department and are subject to reevaluation when the final version of this report is received,

We appreciate the opportunity to comment on this draft report before its publication

Sincerely yours,

Richard B. Lowe III
Inspector General (Designate)

Enclosure

COMMENTS OF THE DEPARTMENT OF HEALTH AND HUMAN SERVICES
ON THE GAO DRAFT REPORT,
"REISSUING TAMPER-RESISTANT SOCIAL SECURITY CARDS WILL NOT
ELIMINATE THE INCREASING MISUSE OF SOCIAL SECURITY NUMBERS," DATED
OCTOBER 3, 1980

GAO Recommendation

That the Secretary direct the Commissioner of Social Security to

--Provide training to Social Security field office personnel to enable them to more readily detect fraudulent evidentiary documents submitted with social security number applications

Department Comment

We agree that additional field training is needed on recognizing and evaluating evidentiary documents and we are actively evaluating how best to provide it

GAO Recommendation

--Place SSN application forms and cards under tighter controls

Department Comment

We agree Action is being taken to strengthen controls over blank social security number (SSN) cards, and we will examine ways to place SSN application forms under tighter controls as well All social security offices that handle SSN cards are in the process of implementing written security plans to control SSN card stock. In addition, blank SSN cards are no longer being shipped through the regular mail as they were at the time of GAO's review, greater control is provided by having the cards transmitted by private carrier to the receiving offices and requiring those offices to acknowledge receipt

GAO Recommendation

--Flag identified fraudulently obtained SSNs currently in the system for SSA and other agency uses

Department Comment

We agree We plan to place a special indicator on all SSN records that are identified as involving possible fraud or questionable identity A draft of the detailed systems proposal will be circulated for internal review within the next few weeks, and the special indicator is scheduled to be implemented during 1981

GAO Recommendation

--Encourage the States to tighten their controls over vital statistics records since State programs can be adversely affected by social security number misuse

Department Comment

We agree We have begun sharing with State and local vital statistics agencies the information we turn up on the counterfeiting or other falsification of their documents and we believe this will help promote tighter controls over records at these agencies

SSN USES BY PUBLIC AND PRIVATE ENTITIES

1. Several States use the SSN as one of the identifiers or authenticators in a cooperative, data-sharing network which is linked with the Federal Bureau of Investigation National Crime Information Center.
2. The National Driver's Register of the U.S. Department of Transportation uses the SSN to match records and inquiries for participating States.
3. About 70 percent of the States use the SSN for driver's licensing purposes.
4. Two States--Florida and Utah--use the SSN for statewide, educational recordkeeping systems for high school students.
5. One State requires an SSN to obtain a hunting or fishing license.
6. The SSN is also used in such State systems as vendor identification, capitalized property, project management, and budgeting and tracking.
7. Students may have to furnish SSNs when applying to take "college board" admission tests.
8. Many colleges and universities use the SSN for student admission and recordkeeping.
9. Many credit bureaus use the SSN in their data banks as an identifier or authenticator.
10. Many employers use the SSN for employee recordkeeping. In addition, the SSN may be required to
 - attend a meeting or social function at the White House,
 - join the Chamber of Commerce or Jaycees,
 - take out an insurance policy,
 - file an insurance claim,
 - obtain benefits from an estate or trust,

- obtain a home mortgage or loan,
- check into a hospital,
- purchase and obtain title to an automobile,
- register to vote,
- install a telephone,
- argue a case before the Supreme Court,
- contribute to charitable organizations through payroll deductions,
- register a motor vehicle,
- obtain a library card, or
- give blood.

SSNs have also been obtained for at least one animal. Waterhole Ike--the syndicated, beer-guzzling pig--has SSN 530-80-4623. However, this number was obtained before SSA began requiring documentary evidence of identity.

Many people who purchased wallets containing a sample social security account number card assumed the number as their own personal account number. Account number 078-05-1120 was the first of many such numbers now referred to as "pocket-book" numbers. It first appeared on a sample account number card contained in wallets sold nationwide in 1938. Since then, it has been reported thousands of times on employer's quarterly reports and many times on taxpayer returns.

EXAMPLES OF SSN MISUSE

1. One individual filed 104 income tax returns for \$198,801 in refunds using valid names and SSNs. The individual obtained this information by posing as an Internal Revenue Service agent checking business records for different restaurant chains.
2. One individual filed 35 income tax returns for about \$51,000 in refunds. The individual used valid names and SSNs for getting the taxpayer's refund.
3. One individual filed 882 fictitious income tax returns claiming \$1.6 million in refunds. This individual received about \$2,000 before the scheme was discovered.
4. One individual, using fictitious SSNs, filed 153 income tax returns claiming \$131,000 in refunds.
5. One individual filed 18 fraudulent income tax returns claiming refunds. The names and SSNs used were taken from tax returns that he had prepared.
6. One income tax scheme involved 26 refunds valued at \$20,600. Fictitious names and SSNs were used.
7. One income tax refund scheme involved several hundred fictitious returns. The investigation revealed that many SSN application forms had been filled out and were ready to be sent in. The scheme avoided the need for evidentiary documentation by making each of the imaginary SSN applicants under 18 years of age.
8. A former Government agent who worked part time at a bank used names and SSNs of the bank's customers to file false income tax refund claims.
9. One individual received \$12,000 in social security disability payments under one SSN for 4 years while working and reporting withholding taxes under the same number. She was caught when the computer printouts indicated payments to the same number that withholding taxes were being reported on.
10. A couple obtained birth and death records of several deceased infants and children to create a dozen false

identities. This couple also obtained social security cards of six deceased persons and numerous credit cards and driver's licenses. They then used the false identities to get loans.

11. One individual was convicted of receiving fraudulent unemployment payments from five different offices by claiming to be five different people. The individual used a different SSN for each identity, knowing that unemployment check pickup times were scheduled on the basis of the last two digits of the SSN.
12. An individual received about \$2,000 in social security benefits by filing false claim on a nonexistent child. The individual had falsely obtained a birth certificate and an SSN to obtain increased benefits.
13. An individual sold social security cards to aliens for \$50 to \$150 each. He completed the SSN applications using fraudulent information and had the aliens sign them.
14. Several SSA employees have been involved in fraudulent SSN activities. One employee found out from SSA records who had died, then issued new cards in their names to illegal aliens. One employee put his own address into the computer so he could collect checks of deceased recipients. One employee fabricated 14 different records and received \$55,000 in social security benefit payments.

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