



Highlights of [GAO-05-154](#), a report to congressional committees

Why GAO Did This Study

Each year, the Social Security Administration (SSA) receives millions of employer-submitted earnings reports (Form W-2s) that it is unable to place in an individual Social Security record. If the Social Security number (SSN) and name on a W-2 do not match SSA's records, the W-2 is retained in the Earnings Suspense File (ESF). SSA's ability to match earnings reports is essential to calculating Social Security benefits. Because of concerns about the size of the ESF, GAO was asked to determine (1) how SSA processes workers' earnings reports, (2) the types of errors in ESF reports and the characteristics of employers whose reports are in the ESF, (3) how often earnings from repeatedly used SSNs have been reinstated and who receives the earnings from these reports, and (4) what key factors contribute to ESF postings.

What GAO Recommends

GAO recommends that the Commissioners of SSA and the Internal Revenue Service (IRS) and the Secretary of the Department of Homeland Security (DHS) work on several fronts to facilitate more accurate earnings reporting by employers, enhance verification systems, and institute effective data sharing to deter unauthorized work activity and ESF postings. SSA, IRS, and DHS agreed to consider our recommendations, provided clarifying information, and described initiatives planned or under way to enhance earnings reporting and worker verification.

www.gao.gov/cgi-bin/getrpt?GAO-05-154.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Barbara D. Bovbjerg at (202) 512-7215 or bovbjergbj@gao.gov.

SOCIAL SECURITY

Better Coordination among Federal Agencies Could Reduce Unidentified Earnings Reports

What GAO Found

Upon receiving over 250 million earnings reports annually from employers, SSA uses various processes to post such reports to workers' Social Security records. For reports in which worker names and SSNs exactly match SSA's information, the earnings are credited to the appropriate Social Security record. When SSA encounters earnings reports that do not match its records, SSA attempts to make a match through various automated processes. Such processes have allowed SSA to identify valid records for an average of 15 million reports annually. However, about 4 percent of the reports still remain unmatched and are retained in the ESF. SSA uses additional automated and manual processes to continue to identify valid records. The most recent data show that SSA posted ("reinstated") over 2 million earnings reports in the ESF to valid records from such processes.

Earnings reports in the ESF have serious data problems and are particularly likely to be submitted by certain categories of employers. Such problems include missing SSNs and employer use of the same SSN for more than one worker in the same tax year. Additional problems include missing surnames or names that include nonalphabetic characters. Forty-three percent of employers associated with earnings reports in the ESF are from only 5 of the 83 broad industry categories. Among these industry categories, a small portion of employers account for a disproportionate number of ESF reports.

SSA has reinstated a substantial number of earnings reports with SSNs that appear repeatedly in the ESF. We analyzed the most frequently occurring 295 SSNs, which appeared in ESF 1,000 times or more between tax years 1985 and 2000. Of the earnings reports associated with these SSNs, SSA reinstated 13.1 million to the records of about 11.7 million workers. Although most reinstatements were for U.S.-born workers, in recent years the percentage of reinstatements to foreign-born workers has markedly increased. Also increasing is the percentage of foreign-born workers that received reinstatements for earnings in years prior to receiving a valid SSN—a potential indicator of unauthorized employment.

Three major factors contribute to ESF postings. Under IRS regulations, employers must ask new hires to provide their name and SSN, but are not required to independently corroborate this information with SSA. DHS requires employers to visually inspect new workers' identity and work authorization documents, but employers do not have to verify these documents, and they can be easily counterfeited. Further, IRS regulations are minimal; IRS has no record of assessing a penalty for filing inaccurate earnings reports; and DHS enforcement efforts against employers who knowingly hire unauthorized workers has been limited in recent years because of shifting priorities following the events of September 11, 2001. Last, although SSA and DHS offer employers verification free of charge, these services are voluntary, have some limitations, and remain underutilized.