



Office of the Inspector General

SOCIAL SECURITY ADMINISTRATION

Audit Report

Edit Routines Used to Reinstate Wage Items from the Earnings Suspense File

A-03-21-51013 | June 2023



Office of the Inspector General
SOCIAL SECURITY ADMINISTRATION

MEMORANDUM

Date: June 12, 2023

Refer to: A-03-21-51013

To: Kilolo Kijakazi
Acting Commissioner

From: Gail S. Ennis *Gail S. Ennis*
Inspector General

Subject: Edit Routines Used to Reinstate Wage Items from the Earnings Suspense File

The attached final report presents the results of the Office of Audit's review. The objective was to determine the accuracy and costs of edit routines the Social Security Administration uses to reinstate wage items from the Earnings Suspense File.

If you wish to discuss the final report, please contact Michelle L. Anderson, Assistant Inspector General for Audit.

Attachment

Edit Routines Used to Reinstate Wage Items from the Earnings Suspense File

A-03-21-51013



June 2023

Office of Audit Report Summary

Objective

To determine the accuracy and costs of edit routines the Social Security Administration (SSA) uses to reinstate wage items from the Earnings Suspense File (ESF).

Background

Under 20 C.F.R. § 422.114, employers are required to report their workers' Forms W-2, *Wage and Tax Statements*, to SSA. The *Social Security Act* requires that SSA record each worker's earnings for benefit purposes.

SSA processes all Forms W-2 during its annual wage-reporting process. Forms W-2 with names and Social Security numbers (SSN) that do not match SSA's records post to the ESF as well as those that SSA assigns a special indicator code because the numberholder disclaimed the wages, is deceased, or is a child age 6 or younger. Wages in the ESF are not used to determine eligibility for, or the amount of, Social Security benefits.

After wage items have been placed in the ESF, SSA uses 12 back-end edit routines to assist with posting wage items to numberholders' earning records. Our review focused on these 12 back-end edit routines that reinstated wage items posted to the ESF: 9 rely on information from SSA's systems or the Internal Revenue Service, and 3 use informational correspondence letters.

Results

In general, SSA accurately reinstated earnings from the ESF using the 12 back-end edit routines. Of the 540 sampled reinstatements, 509 (94 percent) were accurate. For the inaccurate reinstatements, SSA employees or its systems' automation reinstated wage items to workers' records with names and/or SSNs that did not match the information employers reported.

We asked SSA to provide the cost associated with the 12 back-end edit routines. Given the limited cost information SSA had available, we could not determine the edit routines' overall costs, and SSA lacks key management information needed to determine whether its edit routines provide a good return for resources invested. As stewards of public funds, SSA should ensure it has the information needed to monitor whether the edit routines' costs are justified by their results.

As of October 2021, the ESF had accumulated over 381 million wage items for Tax Years (TY) 1937 to 2019. In recent years, SSA has annually added about 8 million new wage items to, and reinstated about 1 million wage items from, the ESF, which added to the ESF's overall growth. While the ESF grows, and the number of wage items annually reinstated from it remains relatively consistent, SSA has not reviewed its back-end edit routines to determine whether additions or modifications are needed. According to SSA, it has not identified any needed changes to its reinstatement processes. Per SSA, there are more U.S. workers working more jobs, which leads to more wage items. Some of these items come in with data that do not allow SSA to match the wage item to a numberholder.

Recommendations

We made three recommendations for SSA to take corrective actions on the reinstatement errors we identified that it had not reviewed or corrected; establish a process to regularly determine whether back-end edit routines should be added, updated, or discontinued to increase the accuracy and number of reinstatements; and track all back-end edit routine costs to regularly determine whether each edit routine is a prudent use of SSA's limited resources. SSA agreed with our recommendations.

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ABBREVIATIONS

CY	Calendar Year
C.F.R.	Code of Federal Regulations
EADR	Earnings After Death Record
EDCOR	Educational Correspondence
ESF	Earnings Suspense File
FY	Fiscal Year
IRS	Internal Revenue Service
MEF	Master Earnings File
OIG	Office of the Inspector General
POMS	Program Operations Manual System
SSA	Social Security Administration
SSN	Social Security number
TY	Tax Year
YCER	Young Children's Earnings Record

OBJECTIVE

Our objective was to determine the accuracy and costs of edit routines the Social Security Administration (SSA) uses to reinstate wage items from the Earnings Suspense File (ESF).

BACKGROUND

The *Social Security Act* requires that SSA record workers' earnings for benefit purposes.¹ Employers are required to use Forms W-2, *Wage and Tax Statement*, to report their workers' wage and tax information to SSA.² SSA processes all Forms W-2 during its annual wage-reporting process. During this process, SSA validates the name and Social Security number (SSN) on the Form W-2 against SSA's Numident.³ The Numident database stores personally identifiable information for all Social Security numberholders.⁴

When the name and SSN on the Form W-2 match SSA records, SSA posts the individual's earnings to the Master Earnings File (MEF).⁵ The MEF contains all matched earnings data reported by employers and self-employed individuals. SSA posts wage items that do not match its records to the ESF, a repository for unmatched items.⁶ The ESF also contains wage items to which SSA assigns a special indicator code because, according to its records, the numberholder: (1) is a child aged 6 or younger for the year of earnings, (2) is deceased for the year of earnings, or (3) has disclaimed the wages and SSA could not identify the worker to whom the wages belong.

SSA does not use wage items in the ESF to determine numberholders' eligibility for, or the amount of, Social Security benefits. A wage item remains in the ESF until SSA can identify a valid name/SSN combination and post it to the worker's earning record in the MEF, which is known as a wage reinstatement. After wage items have been placed in the ESF, SSA uses 12 back-end edit routines to identify the correct numberholders and reinstate wages to the MEF so numberholders receive credit for their earnings.⁷

¹ *Social Security Act* §§ 205(c)(2)(A) and 232; SSA, *POMS*, RM 01101.001 A (May 5, 2016).

² 20 C.F.R. § 422.114. Employers can submit wage reports by mail or electronically. For example, SSA's Business Services Online enables registered users to electronically submit wage reports, view the status of wage report submissions, and view and correct wage report name and/or SSN errors.

³ For wage items that do not validate, SSA uses five front-end edit routines that manipulate either the reported name or SSN to identify the correct numberholder.

⁴ Throughout the report, when we refer to numberholder, we mean the person to whom SSA assigned the SSN. When we refer to worker, we mean the person who earned the wages.

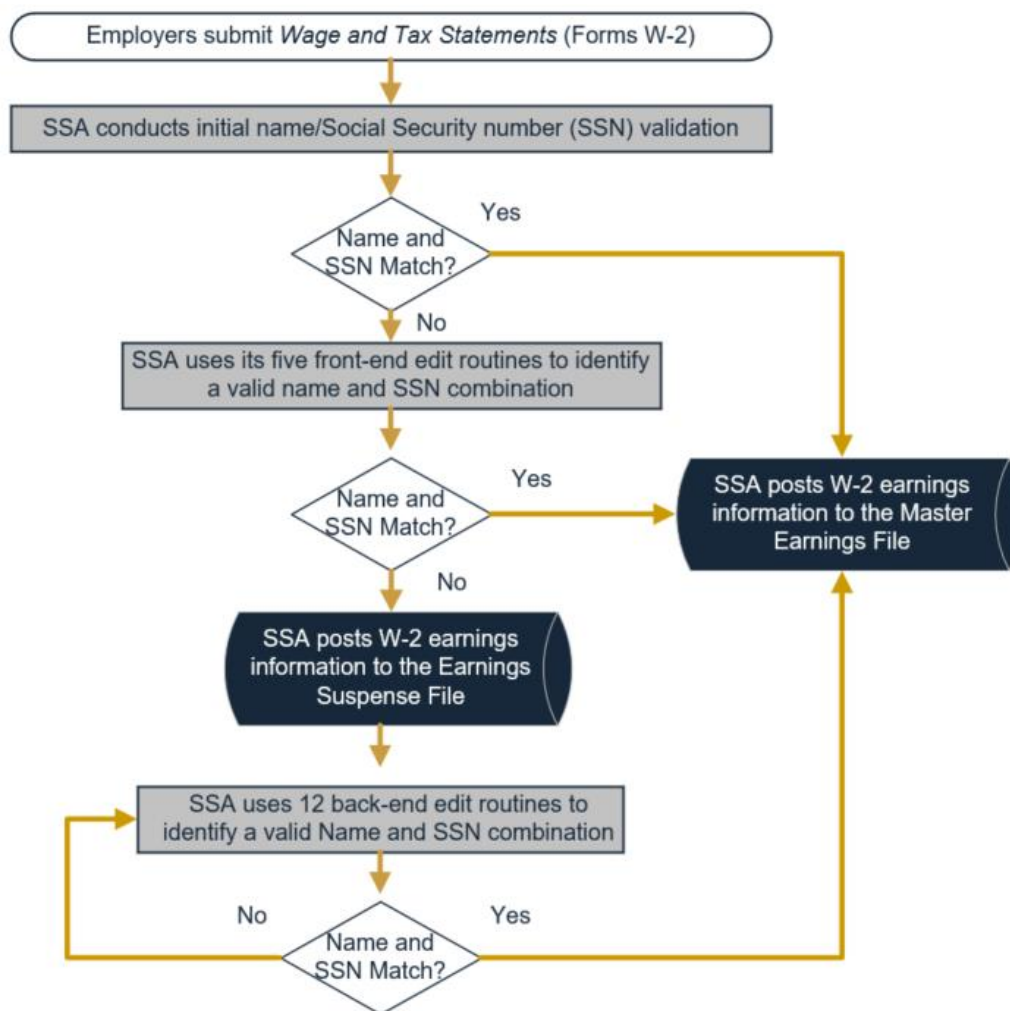
⁵ SSA, *POMS*, RM 01101.001 (May 5, 2016). SSA uses earnings information in the MEF to determine eligibility for, and the amount of, Social Security benefits to which a worker may be entitled.

⁶ SSA, *POMS*, RM 01105.027 A (March 22, 2019). Wage items may not match SSA's records for a number of reasons, including typographical errors, unreported name changes, and inaccurate or incomplete employer records.

⁷ SSA provided wage items reinstated through 12 back-end edit routines. In our analysis, we combined two indicators used for Educational Correspondence (EDCOR)-related reinstatements that SSA identified as separate back-end edit routines. Additionally, while SSA did not include an Earnings After Death Record (EADR) as a back-end edit routine, we included it because the letters work to reinstate wage items from the ESF.

See Figure 1 for an illustration of SSA's process for posting and reinstating wage items.

Figure 1: SSA's Process for Posting and Reinstating Wage Items⁸



SSA's Reinstatement File records reinstated wage items. SSA uses the File to assist with reinstating subsequent wage items that are similar to prior reinstatements. For example, if an employer reports the same incorrect name/SSN combination for a worker who had a wage item reinstated in a prior year, SSA can use the File to reinstate the new wage item.

⁸ We focused on wages reinstated from the ESF, excluding all self-employment income and related edit routines. Throughout the report, we refer to reinstated wage items as "reinstatements."

SCOPE AND METHODOLOGY

We focused our audit on the 12 back-end edit routines SSA used to reinstate wage items from the ESF: 9 relied on information from SSA's systems or the Internal Revenue Service (IRS), and 3 used informational correspondence letters to employers or individual wage earners. From the Calendar Year (CY) 2019 Reinstatement File, we identified 759,042 suspended wage items SSA reinstated to 601,817 workers' earning records through the 9 back-end edit routines that rely on information from SSA's systems or the IRS.⁹ We matched the reinstated wage items to the MEF and randomly selected 45 records processed by each of the 9 back-end edit routines, for a total of 405 records.¹⁰ We also identified 79,110 Tax Year (TY) 2018 wage items that SSA reinstated and posted to the MEF through 3 back-end edit routines that used responses to CY 2019 informational correspondence letters.¹¹ We selected 135 of these wage items for review. (See Appendix A for more information on our scope and methodology and Appendix B for more information about the edit routines.)

RESULTS OF REVIEW

The 12 back-end edit routines generally reinstated wage items from the ESF accurately. We were not able to determine the costs of these edit routines because SSA did not track all associated costs. The ESF continues to grow over time as the number of reinstatements has remained relatively consistent and SSA has not added, updated, or modified its edit routines since 2013, except for one of the informational correspondence letters which is no longer in use.¹²

⁹ We focused on wages SSA reinstated from the ESF. We did not review reinstated self-employment income. For CY 2019, SSA reported 1.1 million reinstatements; however, its report included both wage items and self-employment income.

¹⁰ We also identified 953 records from the population of 759,042 reinstatements that appeared suspicious because, when the wages were earned, the workers appeared to be unborn, deceased, or ages 7 through 13 or 85 and older. We reviewed 81 of the 953 suspicious cases and the findings were not material, so we do not discuss them further.

¹¹ We identified these reinstatements based on the codes SSA used to reinstate the wage items to its earning records. We also identified reinstated wage items for individuals who received a CY 2019 correspondence letter.

¹² SSA discontinued sending EDCOR letters to employers in 2011 and resumed sending them in 2019. Effective April 2021, SSA discontinued the use of EDCOR letters, per SSA, to focus Agency efforts on making the electronic wage reporting and correction process a better, easier, and more convenient experience for employers.

Edit Routine Accuracy

SSA's 12 back-end edit routines generally reinstated suspended wage items. Of the 540 reinstatements we reviewed, SSA accurately posted 509 (94 percent) to the correct workers' earning records (see Table 1).¹³

Table 1: Wage Item Reinstatements per Edit Routine

Edit Routine	Sampled Cases	Accurately Reinstated	Inaccurately Reinstated	Error Rate
1. Manual Suspense Item Reinstatement	45	35	10	22.2%
2. Suspense Sweep, Prior Reinstatement	45	35	10	22.2%
3. Suspense Sweep, Numident	45	40	5	11.1%
4. Office of Quality Performance Suspense Reinstatement	45	43	2	4.4%
5. Employer Identification Number Wage Search	45	43	2	4.4%
6. IRS Reinstatement	45	44	1	2.2%
7. Earnings After Death Record (EADR)	45	44	1	2.2%
8. Item Correction	45	45	0	0.0%
9. Name Search	45	45	0	0.0%
10. SSN Search	45	45	0	0.0%
11. Educational Correspondence (EDCOR)	45	45	0	0.0%
12. Young Children's Earnings Records (YCER)	45	45	0	0.0%
Total	540	509	31	

For the inaccurate wage item reinstatements, the workers' names and/or SSNs in the reinstated records generally did not match the information employers reported. The back-end edit routines rely on SSA employees' manual processing and systems automation; both led to the errors we identified. See the following examples.

- **Manual Suspense Item Reinstatement** – Per policy, SSA employees should ensure the wage earners' reported names match and review the wage earners' work histories to strengthen reinstatement determinations. However, staff did not always appear to do this. For example, an SSA employee reinstated a wage item related to the construction industry to the earning record of a numberholder whose work history primarily related to the healthcare industry.

¹³ The number of sampled reinstatements represents the total sample reinstatements from two populations: nine back-end edit routines that rely on information from SSA or the IRS and three that use correspondence letters. See Appendix A for more details.

- ***Suspense Sweep, Prior Reinstate*** - The back-end edit routine inaccurately reinstated earnings items to the wrong numberholder based on prior inaccurate reinstatements. For example, the edit routine reinstated a TY 2015 wage item to the earnings record of a numberholder whose first name matched the reported middle initial of the worker based on similar inaccurately reinstated wage items for TYs 2016 through 2018.
- ***Suspense Sweep, Numident*** – The back-end edit routine identified incorrect numberholders as the reported workers even though their first names did not match. For example, the edit routine reinstated a wage item reported for TY 2016 to a numberholder’s earning record when the reported last name matched the Numident, but the first name was different. The wage item appeared to belong to the numberholder’s spouse.

Because of the 31 erroneous reinstatements, incorrect numberholders received credit for wages they did not earn. We referred these errors to SSA to correct the numberholders’ earning records.¹⁴

Edit Routine Cost

We asked SSA to provide the cost associated with the 12 back-end edit routines; however, the information it provided did not cover all cost information (see Appendix C). Given that SSA has not tracked all associated costs, we could not determine the back-end edit routines’ overall costs, and SSA lacks key information managers need to determine whether the back-end edit routines provide a good return on the resources invested. As a steward of public funds, SSA should ensure it has the information needed to monitor the use of those funds.

Using some of the limited CY 2019 cost data SSA provided, we calculated the printing and mailing costs per successful earnings item reinstatement for two letter-based, back-end edit routines. We would expect this type of analysis to be a part of any evaluation of the overall value of the letters (see Table 2:).

Table 2: Printing and Mailing Costs Per Successful Reinstatement

Edit Routine	Printing and Mailing Costs	Number of Letters Mailed¹⁵	Number of Successful Wage Reinstatements¹⁶	Printing and Mailing Cost Per Successful Reinstatement
EADR	\$84,620	60,230	147	\$575.65
YCER	\$16,400	12,343	4,349	\$3.77

¹⁴ As of March 2023, SSA had resolved 21 of the errors, and 10 remained outstanding.

¹⁵ We counted each EADR and YCER data record in SSA's Investigative Print File as a mailed letter. SSA was unable to provide information as to whether an employer letter, employee letter, or both was sent for each individual in the data record. Therefore, we treated the data records as employer letters because SSA sends the letters to employers first.

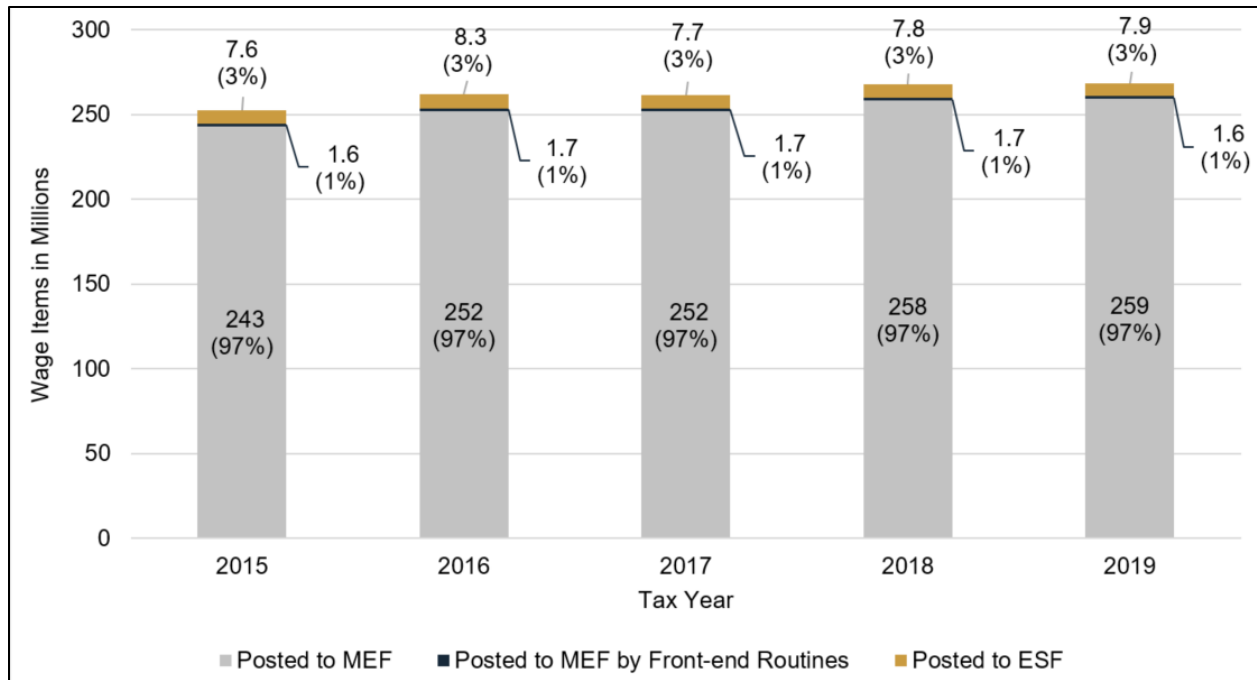
¹⁶ Our data counts do not include self-employment income.

We would also expect SSA to analyze other costs, including the back-end edit routines' direct staffing costs because many of the routines require significant employee involvement. For example, 7 of the back-end 12 edit routines require that employees: (1) search for the workers' earnings and missing wage items using SSA's records; (2) compare suspense and worker records to ensure accurate reinstatement; and/or (3) review the workers' work histories.¹⁷

Earnings Suspense File Growth

SSA annually posts approximately 260 million wage items where the name and SSN reported from employers matches its records (see Figure 2).

Figure 2: Wage Items Posted to the MEF and ESF for TYs 2015 Through 2019¹⁸

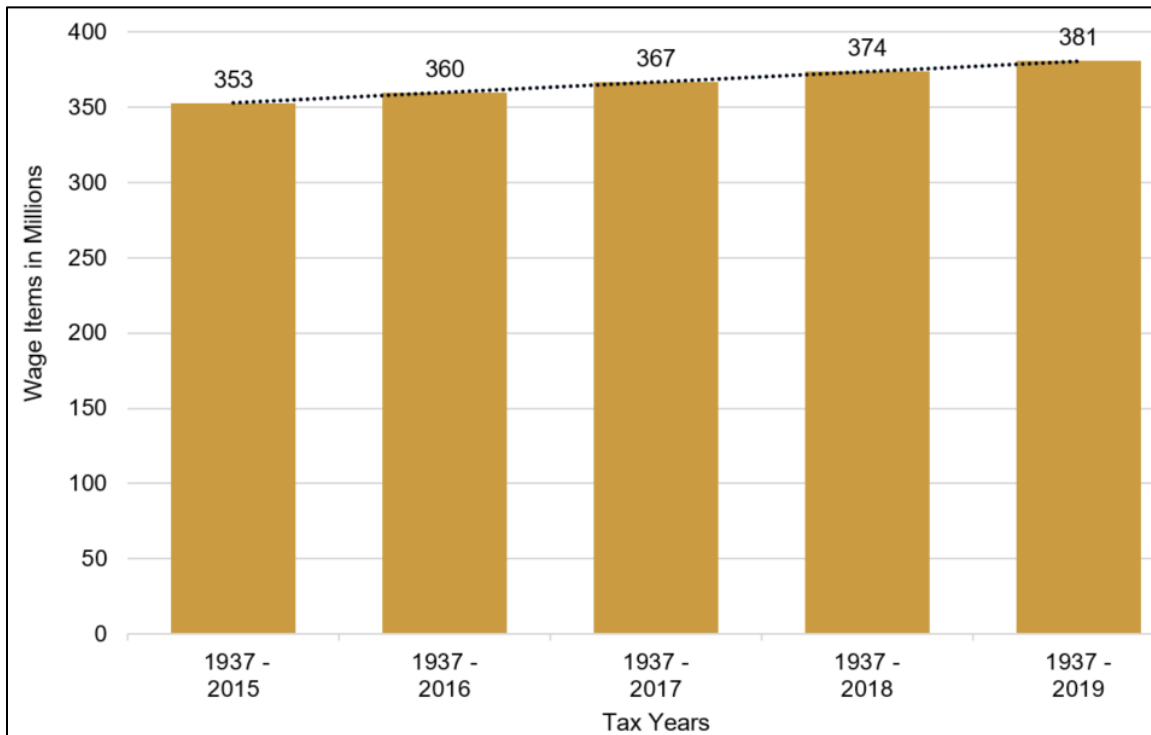


¹⁷ The seven back-end edit routines referred to are: Manual Suspense Item Reinstatement; Item Correction; Employer Identification Number Search; Name Search; SSN Search; EADR letters; and YCER letters.

¹⁸ We obtained the number of wage items posted to the MEF and ESF as of the last run day in December of each TY. We did not independently verify the accuracy of the data. Numbers are rounded and therefore exceed 100 percent.

SSA has not been able to match the name and SSN of approximately 3 percent of annual wage items reported from employers to its records, adding about 8 million wage items to the ESF each year. As of October 2021, the ESF had accumulated over 381 million wage items for TYs 1937 through 2019 (see Figure 3).

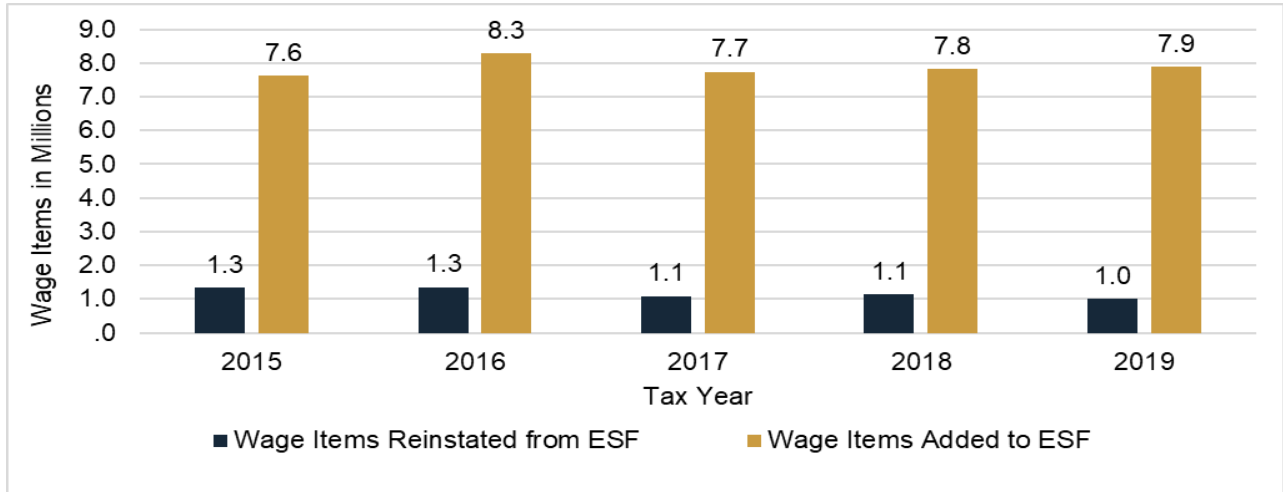
Figure 3: Total Wage Items in the ESF¹⁹



Although we found SSA's 12 back-end edit routines generally reinstated wage items accurately, they had a limited impact when compared to the number of new items SSA adds to the ESF each year (see Figure 4).

¹⁹ We obtained the number of suspended wage items from SSA's Earnings Management Information Operational Data Store. For each report, the numbers include wage items for TYs 1937 to the most recent complete TY. For example, as of October 2017, SSA had reported totals for TYs 1937 through 2015. We did not independently verify the accuracy of these data. The data do not include self-employment income.

Figure 4: Wage Items Reinstated from and Added to the ESF During TYs 2015 Through 2019²⁰



While the ESF grows, and the number of wage items annually reinstated from it remains relatively consistent, SSA has not reviewed its back-end edit routines to determine whether additions or modifications are needed. SSA last updated the back-end edit routines in TY 2013.²¹ According to SSA, it has not identified any needed changes to its reinstatement processes. In response to our questions on the growth of the ESF, SSA stated “. . . changing habits and technologies impact the growth of the ESF. There are more U.S. workers, working more jobs leading to more wage items and some of those will come in with data that does not allow SSA to match the wage item to a numberholder. Some items in the ESF will never be able to be matched to a numberholder.”

CONCLUSION

While the 12 back-end edit routines reviewed generally reinstated wage items from the ESF accurately, SSA does not have complete information on their full costs. The lack of cost information limits SSA’s ability to determine whether each edit routine is a prudent use of its limited resources. Further, while we agree that SSA may not be able to match every item in the ESF to a numberholder’s record because of circumstances beyond its control, that does not alleviate SSA’s responsibility to continually evaluate its efforts to reduce the ESF to ensure they have the greatest impact in the most cost-effective manner possible.

²⁰ We obtained the number of reinstated wage items from SSA’s Reinstatement File and the number of wage items added to SSA’s ESF as of December, the last run day of each TY. The data do not include self-employment income. We did not independently verify the accuracy of these data.

²¹ In 2013, SSA implemented three new edit routines to improve the functionality of its Item Correction process. SSA also changed one of its informational correspondence letters which is no longer in use. SSA discontinued sending EDCOR letters to employers in 2011 and resumed sending them in 2019. Effective April 2021, SSA discontinued using EDCOR letters, per SSA, to focus Agency efforts on making the electronic wage reporting and correction process a better, easier, and more convenient experience for employers.

RECOMMENDATIONS

We recommend SSA:

1. Take corrective actions on the 10 reinstatement errors we identified that the Agency has not reviewed or corrected.²²
2. Establish a process to regularly determine whether back-end edit routines should be added, updated, or discontinued to increase the accuracy and number of reinstatements.
3. Track all back-end edit routine costs to regularly determine whether each edit routine is a prudent use of SSA's limited resources.

AGENCY COMMENTS

SSA agreed with our recommendations; see Appendix D.

OTHER MATTERS

Record Accuracy

During our analyses of the 621 sampled reinstatements, we identified 76 SSA records with other errors that were not directly related to our audit objective. We believe SSA should address these errors (see Table 3). We referred the 76 errors to SSA for corrective action.²³

Table 3: Other Errors²⁴

Type of Errors	Number of Errors
Earning Record Posting	39
Incorrect Death Information in SSA Records	20
Employer Reporting	14
Previously Disclaimed Wages Reinstated	1
Typographical Error on Numident	1
Wage Item not Disclosed on Beneficiary's Disability Form	1
Total	76

²² We identified 31 reinstatement error that we previously referred to SSA. As of March 2023, SSA had resolved 21 of the errors, and 10 remained outstanding.

²³ As of March 2023, SSA had resolved 42 of the cases and 34 remained outstanding.

²⁴ These include errors identified from three populations: suspicious reinstatements, nine back-end edit routines relying on SSA or IRS information, and three back-end correspondence letters. See Appendix A for more details.

Earning Record Posting Errors –The Agency may become aware of the need to correct earning records through employer-corrected reports, the IRS’ audit and tax examination activities, and SSA’s earnings investigations when staff detect, or become aware of, questionable wage items. Earning records had other posting errors where wage items did not belong to the numberholder, additional wage items were not credited to their earning records, or multiple corrections resulted in zero-dollar total wages.

Incorrect Death Information - Incorrect death records are sensitive because they can result in severe financial hardship and distress for individuals. Individuals may need SSA’s help to verify their situation with medical, social, banking, mortgage, or other services. When SSA finds erroneous death information in its records, staff must correct the records and document the reason for the death removal. SSA had incorrect death information in its records for numberholders, which caused the reinstatements to appear suspicious because the workers appeared to be deceased when the wages were earned or involved erroneous death reinstatements.

Employer Reporting Errors - Most non-wage income is not reported to SSA. Rather, employers file other forms with the IRS for non-wage income, which SSA does not use to determine eligibility for benefits or include in individuals’ benefit amounts. Employers incorrectly reported non-wage income (that is, any income not from a job) on Forms W-2 as wages or responded to EADR and YCER letters with other incorrect information, as the letters do not inform or educate employers about proper wage reporting.²⁵ For example, the letters do not include questions on whether the wage item was from work (that is, was correctly reported using a Form W-2 or should have been reported on another IRS Form, such as Form 1099-MISC, *Miscellaneous Income*, because it was non-wage income, such as payment for research or money paid to a worker’s beneficiary or estate), rather than simply verifying the reported name, SSN, or date of birth.

Previously Disclaimed Wages Reinstated - SSA becomes aware of an error on an individual’s earning record for several reasons, such as when a numberholder recognizes an error in the amount of earnings posted to his/her earning record. When this occurs, SSA staff can remove the wages from the numberholder’s earning record. To prevent the same wages from reinstating to the incorrect earning record from which it was removed, a special indicator is added to the wage item. An SSA edit routine reinstated a wage item that the numberholder previously disclaimed. The numberholder informed SSA that the wages did not belong to him, and SSA corrected the earning record by posting the wages to the ESF, but another edit routine later reinstated the wages back to the numberholder’s earning record.

Typographical Error on Numident - Individuals use Form SS-5, *Application for a Social Security Card*, to apply for an original SSN card, replacement card, or change or correct information on their SSN record. When staff process the application, input errors can occur in numberholders’ Numident records. SSA staff made a typographical error when they keyed the numberholder’s name from the Form SS-5 to the Numident.

²⁵ Of the 14 employer reporting errors, 13 are from our 90 EADR and YCER samples. SSA corrected 3 of the 13 EADR and YCER sample cases before our review.

Wage Item not Disclosed on Beneficiary's Disability Form - SSA employees use work activity forms to document work activity before they make determinations, such as initial claims. The form assists staff with determining whether an individual's earnings amount prohibits them from qualifying for disability benefits. One numberholder had multiple employers on the earning record for TY 2018, which were not included in their work activity form for a disability claim. Therefore, the numberholder may be receiving a higher benefit amount than he should.

Letter-based Edit Routine Consolidation

SSA incurred costs to send multiple EDCOR, EADR, and YCER letters to the same employers rather than: (1) consolidating the letters by type; (2) listing all affected employees in a single letter; and/or (3) excluding employers known to meet exceptions to sending the letters. These practices increased costs and placed additional burden on the letters' recipients. For example, in CY 2019:

- SSA mailed 13,341 employers more than 1 type of correspondence letter (for example, EADR and YCER) about their wage reporting errors. SSA did not correlate the separate letter types to limit the number of mailings employers received and/or notify employers electronically about the type of errors the letters addressed, even for employers who reported wages electronically through SSA's Business Services Online.²⁶
- SSA mailed 18,896 employers the same type of letters for multiple employees.²⁷ For example, SSA mailed 1 employer 7,165 EADR letters and another employer 1,966 YCER letters. SSA did not consolidate the wage reporting errors into a single letter regarding all affected employees with the specific type of wage reporting error (for example, one YCER letter addressing all children under age 6 for whom the employer reported wages).
- SSA mailed 3,760 YCER letters to 10 employers in the entertainment industry (each employer received from 62 to 1,966 letters) it would not have had to mail had they been included on the YCER exception list.²⁸ To be included on the list, more than 5 percent of the total wage items on a wage report submission must be for children aged 6 or younger, and the submission must include 50 or more wage items. The 10 employers legitimately employed children and submitted a significant number of wage items but did not meet SSA's 5-percent threshold. The current threshold may be creating unnecessary work and costs for SSA.

²⁶ SSA electronically notifies employers about name and/or SSN mismatches in the earning records they send via Business Services Online. However, SSA mails correspondence letters exclusively to notify employers about potential errors in wages they reported for employees who are age 6 or younger or are deceased.

²⁷ 13,900 employers received more than 1 EDCOR letter. For YCER and EADR letters, SSA tracked the associated data records but was unable to identify whether letters were sent to employers, employees, or both for each data record. Therefore, we treated the records as employer letters since the letters are sent to employers first.

²⁸ SSA does not mail YCER letters to employers on the exception list because they are known to legitimately employ children aged 6 or younger.

Additionally, although SSA established the YCER exception list that identifies known child employers to prevent future wage items from being posted to the ESF, wage items posted to the ESF before employers were added to the YCER exception list remain in suspense unless SSA receives information to reinstate the wage items. SSA does not complete a retrospective review of earning items submitted by employers after they are added to the YCER exception list.

Based on this, SSA should consider: (1) electronically notifying employers who report wages to SSA electronically about their wage reporting errors; (2) determining whether it would be cost-effective to send employers single EADR or YCER letters per wage report submission that include all wage reporting errors for all employees within the submission to reduce the number of letters employers receive; (3) modifying the current 5-percent threshold for the YCER exception list to ensure it includes more employers known to report wages for children, allowing for fewer YCER letters needing to be sent; and (4) developing a process to subsequently review and reinstate wage items in the ESF for employers newly added to the YCER exception list.



Michelle L. Anderson
Assistant Inspector General for Audit

APPENDICES

Appendix A – SCOPE AND METHODOLOGY

To gain an understanding of the reinstatement process, we:

- Researched and reviewed applicable sections of the *Social Security Act*, the Social Security Administration's (SSA) Program Operations Manual System (POMS), and technical guidance.
- Reviewed prior SSA reports, including Annual Performance Plans, and Office of the Inspector General reports on the Earnings Suspense File (ESF) and reinstatement processes.
- Interviewed, and obtained information from, SSA subject matter experts on the edit routines and correspondences.
- Identified 17 edit routines related to the reinstatement process: 5 front-end edit routines work to prevent items from being placed in the ESF,¹ and 12 back-end edit routines help remove items posted to the ESF.²
- Obtained from SSA ESF Form W-2, *Wages and Tax Statement*, Quarterly reports that provided historical information on the number of wage items SSA posted to the ESF each year for Tax Years (TY) 1937 to 2019.
- Obtained from SSA counts for TYs 2015 to 2019 that showed wage items received; verified and posted to the Master Earnings File (MEF) during the Annual Wage Reporting process; posted to the MEF through front-end edit routines; posted to the ESF and the MEF because of the back-end edit routines.

To review case-level data, we took the following steps:

- Obtained 1,737,597 records from the Calendar Year (CY) 2019 Reinstatement File.
 - We summarized the file by the Origin of Validation or Reinstatement code and identified that the 5 front-end routines reinstated 937,000 records and the 12 back-end edit routines reinstated 800,597 records.

¹ The five edit routines occur during the front-end of the reinstatement process and do not require further analysis before the wage items post to earning records: Name Rules, 1ST Name Search, Single Select, 1ST/Single Select Combination, and Prior Reinstates.

² The 12 edit routines occur during the back-end of the reinstatement process requiring analysis after wage items did not post to earning records: Manual Suspense Item Reinstatement, Office of Quality Performance Suspense Reinstatement, Item Correction, Internal Revenue Service Reinstatement, Suspense Sweep (Prior Reinstatement), Suspense Sweep (Numident), Employer Identification Number Search, Name Search, Social Security number (SSN) Search, Educational Correspondence (EDCOR), and Earnings after Death Report (EADR), and Young Children's Earnings Record (YCER). For more details on these processes, see Appendix B.

- We summarized the 800,597 records reinstated by the 12 back-end edit routines by reinstated SSN, Employer Identification Number, and reported TY, and identified 798,384 unique reinstatements related to 641,163 numberholders.³
- Obtained 927,217 MEF records reinstated by 12 back-end edit routines by matching the 798,381 unique reinstate file records. The 798,381 wage items related to 641,161 numberholders with reinstatements.⁴
 - Then we identified 368,829 records related to wage items reported for TY 2018.
- Obtained 863,526 records from the CY 2019 Investigative Print File related to EDCOR, EADR, and YCER letters mailed to employers and/or employees informing them about reported wage discrepancies for TY 2018.⁵
 - Analyzed the number of correspondence letters SSA mailed according to type sent to each employer, including whether multiple letters were sent to the same employer for each affected employee.
 - Identified the industry of employers who received 50 or more YCER letters to determine whether the employer likely should have been included on the YCER exception list.
- To identify the populations related to correspondence letters, we used the MEF and the Investigative Print Files and identified 79,110 reinstatements.
- Randomly selected 135 sampled reinstatements for review, 45 per letter type (see Table A-1).

Table A–1: Reinstatements Related to Correspondence Letters and Samples

Letter	Letters Mailed	Reinstated Wage Items ⁶	Sampled Reinstatements
EDCOR	790,953	74,614	45
EADR	60,230	147	45
YCER	12,343	4,349	45
Total	863,526	79,110	135

³ We summed the 800,597 reinstatements by SSN, Employer Identification Number, and TY because each reinstatement could relate to more than one wage item on the MEF.

⁴ Of the 798,384 unique Reinstatement File records, 3 did not have corresponding records in the MEF. Of the 641,163 numberholders identified from the Reinstatement File, 2 did not have corresponding records in the MEF.

⁵ We counted each EADR and YCER data record maintained in SSA's Investigative Print File as a mailed letter. SSA was unable to provide information as to whether an employer letter, employee letter, or both were sent for each individual in the data record. Therefore, we treated the data records as employer letters because SSA sends the letters to employers first.

⁶ We counted wage items with the relevant posting source code as well as any wage item reinstated in CY 2019 for an employer who received a CY 2019 EADR or YCER notice as a successful reinstatement. SSA's Office of Systems stated it was not able to verify our YCER or EADR counts because the Agency does not have the necessary statistics for the posting source codes related to these wage items.

- Requested from SSA edit routines and correspondence letters' cost information.
- Calculated the cost per successful reinstatement for two letter-based back-end edit routines using limited costs provided by SSA.
 - SSA provided \$22,691 in systems costs for EADR and YCER for Fiscal Year 2018; however, this cost was already included in the cost figure for all edit routines. Therefore, we disregarded the \$22,691 when we calculated the cost per successful reinstatement for the EADR and YCER processes.
 - SSA also provided TY 2018 printing and postage costs for the CY 2019 letters—\$84,620 for EADR and \$16,400 for YCER. We included these costs in our calculation.
- To identify the 9 back-end edit routine population, we used the CY 2019 Reinstatement File and identified 759,042 wage item reinstatements.⁷
 - Analyzed the file to identify 953 records that appeared suspicious because the wage items appeared to be earned for TYs when the numberholders were not born, not alive, or ages when they may not have been able to perform the type of work.
 - Extracted suspicious records to identify 758,089 remaining wage item reinstatements processed through 9 edit routines.
- Selected 486 sampled reinstatements for review that related to the 9 back-end edit routines (see Table A-2). Specifically, from 953 suspicious reinstatements, we selected 36 (100 percent) reinstatements for TYs before birth or after death and randomly selected 45 reinstatements identified as ages 7 to 13 or 85 or older.⁸ From the 758,089 reinstatements, we randomly selected 45 sampled reinstatements from each of the 9 back-end edit routines.

⁷ We focused on wages SSA reinstated from the ESF. We did not review reinstated self-employment income. For CY 2019, SSA reported 1.1 million reinstatements; however, its report included both wage items and self-employment income.

⁸ Our findings were immaterial because of the size of the population; therefore, were excluded from the report.

Table A–2: Reinstatements Processed by Nine Edit Routines and Samples

Population	Edit Routine/Category	Reinstatements	Sampled Reinstatements
1 - Suspicious Reinstatements	TY Before Birth or After Death	36	36
	Ages 7 to 13 and 85 or Older	917	45
Sub-total		953	81
2 – Nine Edit Routines	Manual Suspense Item Reinstatement	151,120	45
	Office of Quality Performance Suspense Reinstatement	242,069	45
	Item Correction	6,839	45
	Internal Revenue Service Reinstatement	253,494	45
	Suspense Sweep, Prior Reinstatement	875	45
	Suspense Sweep, Numident	3,829	45
	Employer Identification Number Wage Search	53,477	45
	Name Search	2,199	45
SSN Search	44,187	45	
Sub-total		758,089	405
Total		759,042	486

- To conduct our analyses for the 621 sample cases, we obtained information from the:
 - MEF to analyze numberholders’ work histories and Numident to identify numberholders’ name, name changes, and ages.
 - Master Beneficiary and Supplemental Security Records to identify numberholders’ benefit entitlements.
 - Recalculated the Primary Insurance Amount and recomputed benefit payments, as necessary, for beneficiaries with erroneous reinstatements on their earning records and had a benefit record or received Social Security benefits.
 - Recalculated quarters of coverage increments, as necessary, for numberholders who had erroneous reinstatements on their earning records and had not applied for or received Social Security benefits or received benefits as beneficiaries on another beneficiary record.
 - Online Retrieval System for Forms W-2, *Wage and Tax Statement*, and W-2C, *Corrected Wage and Tax Statement*, or as necessary, Form W-3, *Transmittal of Wage and Tax Statements*.
 - Form SS-5, *Application for a Social Security Card*, Image Retrieval Online System, or Enumeration Application Retrieval System to identify date of birth or name changes that may not have been reflected on SSA’s Numident records.
 - Shared Processes to identify numberholders’ discrepant and/or corrected information in SSA’s records.
 - Evidence Portal as it related to numberholders’ discrepant and/or corrected information.

- Accurant to identify whether certain numberholders may be identified as deceased or other individuals were associated with numberholders' SSNs.
- Internet to identify the types of employers and company ownership.
- ESF to verify the reinstated wages were not posted back to the ESF and determine whether additional suspended wage items for the sampled numberholder by same employer remained in the ESF.

We conducted our review between July 2021 and February 2023. We assessed the reliability of the Reinstatement File, MEF, and Numident data by verifying the requested data elements and records were within the specified date range. Additionally, we traced the extracted data elements to the related queries in SSA's system to ensure the data were accurate.

We determined the data used in this report were sufficiently reliable given our audit objectives and intended use of the data. The principal entities audited were the Offices of Operations and Systems.

We assessed the significance of internal controls necessary to satisfy the audit objective. This included an assessment of the five internal control components, including control environment, risk assessment, control activities, information and communication, and monitoring. In addition, we reviewed the principles of internal controls associated with the audit objective. We identified the following components and principles as significant to the audit objective:

- Component 2: Risk Assessment
 - Principle 6 – Define objectives and risk tolerances
- Component 3: Control Activities
 - Principle 10 – Design control activities
 - Principle 12 – Implement control activities

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Appendix B – EDIT ROUTINES AND OPERATIONS

The Social Security Administration (SSA) uses 17 edit routines to assist with posting wage items.¹ SSA uses five front-end edit routines that manipulate either the reported name or Social Security number (SSN) in a variety of ways to prevent the posting of wage items with common reporting mistakes to the Earnings Suspense File (ESF) and instead post the wage items to the worker's Master Earnings File (MEF). The remaining 12 edit routines are performed during the back end of the reinstatement process after a wage item has been placed in the ESF.² We focused on the 12 back-end edit routines used to process suspended wage reinstatements in Calendar Year (CY) 2019.³

Manual Edit Routines

SSA staff uses manual edit routines to process reinstatements that require further review. SSA policies instruct staff how to: (1) search for the worker's earnings and missing wage items using SSA's records, (2) compare suspense and worker records to ensure accurate reinstatement, and (3) input a determination that provides for processing of the reinstatement. Generally, there must be a connection between the first and last name on the suspense item to the name on the Numident, the last name on the MEF, or a parent's last name. In addition, SSA staff is instructed to verify the worker's work history. The five manual edit routines we reviewed were:

1. Manual Suspense Item Reinstatement;
2. Item Correction;
3. Employer Identification Number Search;
4. Wage Suspense, Name Search; and
5. Wage Suspense, SSN Search.

¹ As of CY 2019, SSA used 17 edit routines. The MEF contains all earnings data reported by employers and self-employed individuals. The data are used to determine eligibility for, and the amount of, Social Security benefits to which the worker may be entitled. SSA, POMS, RM 01101.001 A (May 5, 2016).

² SSA provided wage items reinstated through 12 back-end edit routines. In our analysis, we combined two indicators used for Educational Correspondence (EDCOR)-related reinstatements that SSA identified as separate back-end edit routines. Additionally, while SSA did not include Earnings After Death Report (EADR) as a back-end edit routine, we included it because the letters work to reinstate wage items from the ESF.

³ We limited our review to 12 of the 17 edit routines SSA uses to reinstate wage items from the ESF because 5 edit routines occur during the front-end of the reinstatement process and do not require further analysis prior to reinstating wage items: (1) Single Select (2) 1ST/Single Select Combination (3) Prior Reinstates (4) 1ST Name Search, and (5) Name Rules.

Automated Edit Routines

Automated edit routines process reinstatements using an SSA application that compares internal and external information to reinstate wage items from the ESF. The four automated edit routines we reviewed were:

1. Office of Quality Performance Suspense Reinstatement;
2. Internal Revenue Service Reinstatement;
3. Suspense Sweep, Prior Reinstatement; and
4. Suspense Sweep, Numident.

Correspondence-related Edit Routines

Correspondence-related edit routines also process reinstatements through an SSA application, using information from correspondence letter responses to compare and match internal and external information to reinstate wage items from the ESF.

The three correspondence-related edit routines we reviewed were:

- EDCOR letters were sent to employers who submitted a wage report with at least one name/SSN mismatch on a Form W-2, *Wage and Tax Statement*, and contained a valid domestic employer address. The letters listed the total number of mismatched SSNs on a wage report. The purpose of the EDCOR letters was to explain to employers that, during the annual wage report processing, some of the name/SSN combinations reported were not consistent with SSA's records and provide useful information about SSA's Business Services Online wage reporting tools, including how to view and correct name and SSN mismatches.⁴ Effective April 2021, SSA discontinued the use of EDCOR letters to, per SSA, focus Agency efforts on making the electronic wage reporting and correction process a better, easier, and more convenient experience for employers.
- Young Children's Earnings Record (YCER) letters are sent to employers and/or employees to verify or obtain information when wage items are reported for children aged 6 or younger. As part of the annual wage report validation process, SSA also reviews the Numident for a date of birth for the SSN on each Form W-2. If the date of birth indicates the numberholder is a child aged 6 or younger and the employer is not on the YCER exception list, SSA places the wages in the ESF with a YCER indicator. To help resolve suspended wage items for YCER, SSA sends Form SSA-L3231, *Social Security Young Child's Request for Employer Information*, to employers and/or Form SSA-L3232, *Social Security Earnings Record Young Child's Employee Information*, to employees to determine whether the information on the reported SSNs' Numident is correct, and/or determine to whom the earnings actually belong. SSA mails a letter for each numberholder that meets the criteria.

⁴ Since EDCOR letters refer employers to Business Services Online to correct their wage reporting errors, we did not consider them to be a part of the manual process.

- EADR letters are sent to employers and/or employees to verify or obtain new information when SSA records show that the wage items are reported for years after the worker is deceased. During the annual wage report validation process, SSA checks the Numident against the SSN on the Form W-2 to determine whether there is a date of death on the Numident. When a date of death is present on the Numident and the year of death is prior to the year of reporting earnings, the wage items are placed in the ESF with an EADR code. To help resolve suspended wage items for EADR, SSA sends Form SSA-L4112, *Request for Employer Information*, to employers and/or Form SSA-L3044, *Social Security Notice to Employee*, to employees to verify the numberholders' employment with the employers. SSA mails a letter for each numberholder that meets the criteria.

Appendix C – EDIT ROUTINE COSTS

We asked the Social Security Administration (SSA) to provide the cost associated with the 12 back-end edit routines. However, it provided limited cost information.

- **Direct Cost.** SSA reported the Educational Correspondence (EDCOR) edit routine, which involves SSA mailing letters to inform employers on employee name/Social Security number combinations they reported that did not agree with SSA's records, had direct operational costs of approximately \$1.1 million in Fiscal Years (FY) 2018 and 2019. SSA did not track the operational costs for the remaining 11 back-end edit routines.
- **Indirect Cost.** SSA did not track the indirect cost associated with the 12 back-end edit routines. Indirect costs include the costs of management supervision of staff reinstating wage items, such as rent and supplies.
- **Training Cost.** SSA reported it spent approximately \$35,000 in FYs 2018 and 2019 to train employees on the EDCOR edit routine. SSA did not track training costs for the remaining 11 back-end edit routines.
- **Systems Cost.** SSA provided systems costs totaling approximately \$576,000, which included approximately \$23,000 in FY 2018 for the 12 back-end edit routines and approximately \$553,000 for EDCOR systems costs related to the Calendar Year (CY) 2019 mailings.¹ SSA was unable to isolate systems costs specific to each of the 12 edit routines from its core Suspense Reinstatement costs.
- **Printing and Postage Cost.** According to SSA, it incurred approximately \$512,000 in printing and postage costs for three back-end edit routines involving SSA mailing letters to employers and/or employees regarding their wage reporting errors. Specifically, SSA spent \$411,000 in CY 2019 for EDCOR, approximately \$85,000 for Earnings After Death Record, and about \$16,000 for Young Children's Earnings Record letters.

¹ The EDCOR costs include start-up costs that began in FY 2018 and subsequent costs as of January 2020. The start-up cost include costs associated with gathering requirements, designing the Website, and retrieving data to prepare CY 2019 mailings. Subsequent costs include software releases, Website changes, and retrieving data to support CY 2019 mailings. SSA discontinued sending EDCOR letters to employers in 2011 and resumed sending them in 2019. Effective April 2021, SSA discontinued the use of EDCOR letters, per SSA, to focus Agency efforts on making the electronic wage reporting and correction process a better, easier, and more convenient experience for employers.

Appendix D – AGENCY COMMENTS




SOCIAL SECURITY

MEMORANDUM

Date: June 2, 2023

Refer To: TQA-1

To: Gail S. Ennis
Inspector General

From: Scott Frey 
Chief of Staff

Subject: Office of the Inspector General Draft Report, "Edit Routines Used to Reinstate Wage Items from the Earnings Suspense File" (A-03-21-51013) — INFORMATION

Thank you for the opportunity to review the draft report. We agree with the recommendations.

Please let me know if I can be of further assistance. You may direct staff inquiries to Trae Sommer at (410) 965-9102.



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