



**HEARING BEFORE  
COMMITTEE ON WAYS AND MEANS  
SUBCOMMITTEE ON SOCIAL SECURITY  
UNITED STATES HOUSE OF REPRESENTATIVES**

**SOCIAL SECURITY ADMINISTRATION'S ROLE IN VERIFYING  
EMPLOYMENT ELIGIBILITY**

**APRIL 14, 2011**

**STATEMENT OF  
MARIANNA LACANFORA  
ASSISTANT DEPUTY COMMISSIONER  
OFFICE OF RETIREMENT AND DISABILITY POLICY**

Mr. Chairman and Members of the Subcommittee:

Thank you for inviting me to participate in these important oversight hearings concerning Social Security. Yesterday we told you about issues that relate to enumeration and identity theft. Today I will discuss our role in helping the Department of Homeland Security (DHS) administer its E-Verify system, which supports the employer community in the 21<sup>st</sup> century.

Our Mission and Ensuring the Accuracy of Our Records

For over 75 years, America has depended on Social Security. Our programs benefit workers, their dependents, and survivors at critical junctures in their lives: when they retire, when they become disabled, and after losing a loved one. Each month, we send about \$60 billion in benefits to approximately 60 million beneficiaries.

Assigning Social Security numbers (SSNs) and issuing Social Security cards has always been one of our core workloads. We have assigned about 465 million SSNs since the inception of the program.

The SSN is a record-keeping tool that allows employers to uniquely identify and accurately report a worker's earnings. Names alone cannot ensure accurate reporting, but the combination of a name and an SSN provides a system for accurately reporting and recording wage information.

While the SSN has a very limited purpose, the role of the card is even narrower. It is simply a record of the number assigned to the worker so that he or she can provide the correct number to an employer, as well as potentially to show if the individual is permitted to work. The card was never intended, and should not serve, as a personal identification document.

Relationship Between the SSN and Determinations of Work Authorization

The primary purpose of the SSN is to allow us to properly credit a worker's earnings, which we use to determine potential eligibility for and the amount of benefit payments. However, the Social Security card in conjunction with an identity document may be used to determine whether a person is authorized to work. The Immigration Reform and Control Act of 1986 (IRCA) made it illegal for an employer to knowingly hire anyone not legally permitted to work in the United States. Under IRCA, all employers are required to verify the identity and employment eligibility of all new employees regardless of citizenship or national origin. IRCA and DHS regulations specify a number of documents that

may be used for this purpose. Some documents, such as a United States passport, establish both employment eligibility and identity. Others, such as a Social Security card may establish employment eligibility, but the Social Security card does not establish identity. If the employee provides a document that establishes employment eligibility only, he or she must also provide an identification document, such as a State driver's license.

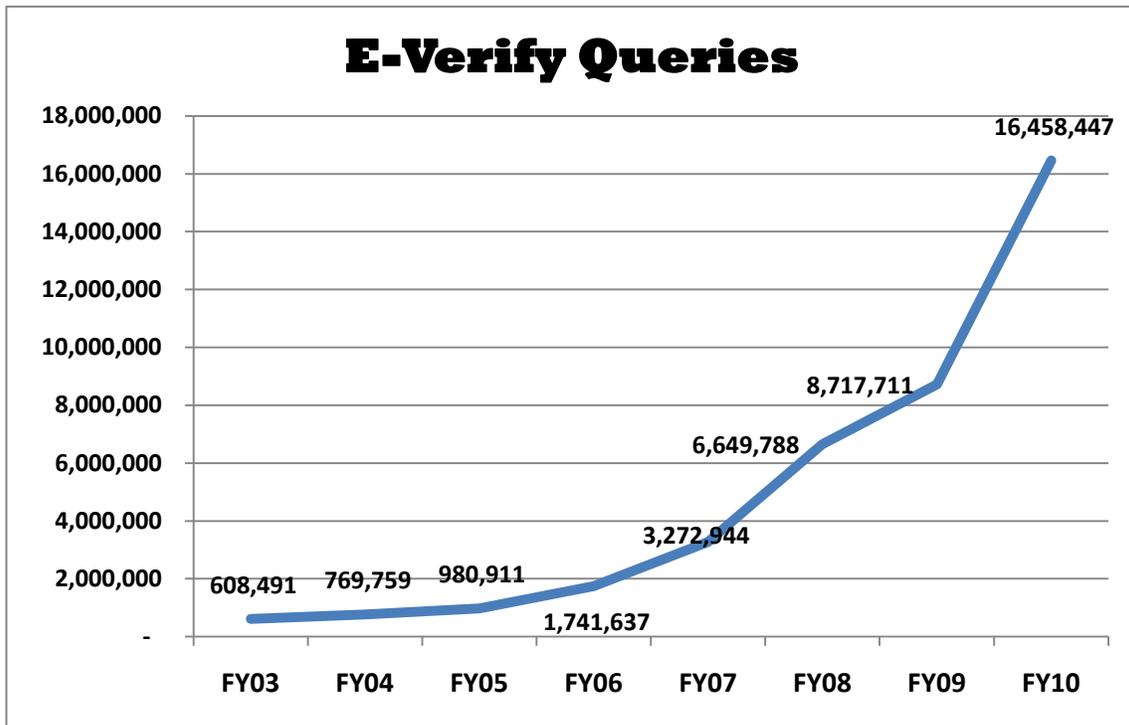
### History of the Current Employment Eligibility Verification System

E-Verify is a fast, free, Internet-based system that allows employers to electronically verify the employment eligibility of new hires. E-Verify is also required for certain Federal contractors and subcontractors. The support we provide to DHS for E-Verify is not related to the benefit programs we administer; therefore, DHS reimburses us for all costs we incur in support of its program.

In 1996, Congress enacted the Illegal Immigration Reform and Immigrant Responsibility Act (IIRIRA), which required the former Immigration and Naturalization Service (INS) and SSA to test a method of providing an effective, nondiscriminatory employment eligibility confirmation process. Consistent with the law, INS and SSA implemented E-Verify (originally known as the Basic Pilot) in five of the seven States with the highest estimated population of noncitizens who were not lawfully present in the United States: California, Florida, Illinois, New York, and Texas.

In March 1999, INS added Nebraska to assist employers in the meat packing industry. Employers in these six states were also allowed to use the system to verify the employment eligibility of new hires at their work sites located in other States. In 2001, Congress extended authorization for the program for an additional 2 years. In 2003, Congress extended the program for another 5 years and expanded its availability to employers in all 50 States. Congress has since extended E-Verify through September 2012.

Employer use of E-Verify has grown in recent years because DHS has increased outreach and education efforts and two States mandate employer use of the program. Before the nationwide expansion, less than 3,000 employers participated. Currently, DHS has about 256,000 employers registered to use E-Verify at approximately 870,000 worksites. As the number of participating employers has grown, so has the number of queries we handle as shown in the chart below. For the first 6 months of this fiscal year, we have handled about 7.5 million queries.



#### The E-Verify Process

Participating employers register with DHS to use the E-Verify system to verify a newly hired employee's SSN and work authorization status. The employer inputs information from the new hire's Form I-9, the Employment Eligibility Verification Form, into the web-based system. DHS then electronically sends us this information to verify that the newly hired employee's SSN, name, and date of birth match the information in our records. For employees alleging United States citizenship, we also confirm citizenship status as recorded in our records, thereby allowing DHS to confirm work authorization. For any naturalized citizen whose United States citizenship we cannot confirm, DHS will verify naturalization and, thus, authorization to work. For all noncitizens, if there is a match with our records, DHS determines current work authorization status.

Once DHS makes a determination, DHS notifies employers whether the new hire is authorized to work. E-Verify confirms work authorization for approximately 98 percent of these initial verification requests within 24 hours, often within seconds. For the minority of cases when the SSA record does not match the data submitted by the employer, E-Verify notifies the employer that the new hire has received an SSA tentative nonconfirmation—that is, that the new hire must take additional steps to be verified to work under the system.

The employer must then notify the employee of the tentative non-confirmation and provide an opportunity for the employee to contest the finding. If the employee receives an SSA tentative nonconfirmation, the employee has 8 Federal workdays to visit one of our local offices to present required documentation to update or correct our records (for example, proof of age or citizenship/noncitizen status). In some situations, we must verify the documentation with the issuing agency before we can update the new hire's record.

It is important to note that, as part of the process to correct our records, we need to verify the identity of the individual whose records we are updating. That is why we process almost all of these updates during a face-to-face interview in our field offices.

Once we update our records, we input the status of the case to the E-Verify SSA Tentative Non-confirmation Automated Response system (EV-STAR), a web-based portal our employees access directly which, in turn, updates the E-Verify system. The employer can then check E-Verify to determine the status of the case and, once the case has been resolved, see the final confirmation or non-confirmation.

### E-Verify Enhancements

Since the inception of E-Verify, we have worked collaboratively with DHS to make the system more efficient and easier to use. I would like to highlight a few of the most significant improvements.

In 2007 and 2008, we worked with DHS to make several changes that reduced the number of new hires receiving a tentative non-confirmation. In September 2007, DHS modified the front-end of the E-Verify system to do a "pre-tentative non-confirmation check." This pre-check verifies the data entered into the system, and if any information does not match, asks employers to double check the data. The pre-check acts as a fail-safe against employer keying errors or misreading of the information on the DHS Form I-9.

In May 2008, DHS updated the E-Verify system to include naturalization data. Experience with E-Verify had shown that many naturalized citizens had not reported their citizenship changes to us and therefore were more likely to receive a tentative non-confirmation. By including DHS naturalization data in the initial electronic verification process, naturalized citizens are now likely to be automatically confirmed through E-Verify.

At the same time, DHS also changed the process for contesting tentative non-confirmations based on citizenship mismatches. Under this process, naturalized citizens who receive a tentative non-confirmation can call DHS directly to resolve the issue. While new hires still have the option of resolving the mismatch in person at one of our field offices, this new process provides better, more convenient service to the public and helps reduce the number of visitors coming to our field offices to change their records.

In 2009, we completed a major improvement to our systems that support E-Verify. We isolated E-Verify workloads from our mission critical workloads. No other workloads run in this isolated E-Verify environment; therefore, use of the E-Verify system does not affect our mission critical workloads, and increases in our mission critical workloads do not affect the operation of E-Verify.

The more robust design of this system increases our capacity to handle E-Verify queries. At DHS' request, we designed the system to accommodate 60 million queries a year because United States employers hire about 60 million workers each year. In time, we may need additional capacity, but we expect our systems will be able to handle potential expansions, provided we receive necessary resources and lead times. This systems environment will help us provide prompt, efficient, and accurate service to those seeking employment.

We continue to make improvements to support the E-Verify program. This month, we are adding enhancements to our computer systems to help us identify individuals who are visiting our field offices due to an E-Verify tentative non-confirmation. This new functionality will help us better serve the public by ensuring that our employees update EV-STAR, and thus E-Verify, with the most current case information. These enhancements demonstrate our continued commitment to help DHS improve E-Verify.

DHS recently launched its E-Verify Self Check tool. This Self Check tool allows a worker to check his or her own employment authorization status and resolve discrepancies before seeking employment. As of March 21, 2011, E-Verify Self Check is available to users who maintain an address and are physically located in Arizona, Idaho, Colorado, Mississippi, Virginia, or the District of Columbia. We worked collaboratively with DHS during its development and implementation of the E-Verify Self Check service, and we expect that DHS will reimburse us for any work that our field offices must handle because of this new service. We will continue to work with DHS as it expands availability of the tool nationwide.

## SSA E-Verify Workloads

Over the last 10 years, E-Verify evolved from a small pilot program to a program available to employers nationwide, and its usage has dramatically increased. We respond to every query run through the system, and we are the primary point of contact for new hires contesting a tentative non-confirmation.

In almost every situation, we must conduct a face-to-face interview to verify that new hires contesting tentative non-confirmations are who they say they are. During the interview, the new hire must present documentation to support his or her request for an update or correction to our master file of SSNs, or Numident. It takes about 20 minutes to complete each face-to-face interview and to update the EV-STAR system and the Numident when a person requests a change to his or her record.

Sometimes the new hire may not have the documentation required to support a change in our records, and he or she must request the document from the custodian of record or issuing agency. These record requests can add weeks to the process. For example, a new hire may not have an original or a certified copy of his or her marriage certificate and may need to obtain the original. In other cases, a new hire has the document, but we must verify its authenticity with the custodian of the record. Thus, in complex cases, changing a Numident record may require multiple visits to one of our field offices.

This process is critical to the integrity of our records and of E-Verify, but can be inconvenient for new hires who are trying to change their records and create additional work for our field offices. For example, in FY 2007, for every 100 E-Verify queries, we handled about 2.6 contacts. In FY 2008, that number went down to about 1.5 contacts per 100 queries. Currently, we estimate that we will handle about 0.8 contacts for every 100 queries.

We will continue to work with DHS to assess our policies and procedures to identify ways to better serve the public and reduce the number of new hires who visit our field offices to resolve tentative non-confirmations.

## Funding For E-Verify

DHS reimburses SSA for all operating costs related to the E-Verify system, including our systems maintenance costs and the costs of assisting new hires who visit our field offices and call our teleservice centers to contest a tentative non-confirmation.

We understand that there are several proposals to extend and expand the E-Verify program. However, we will be able to successfully support an expansion of the program only if we are fully reimbursed for our E-Verify costs. SSA would need sufficient resources, time, and a multi-year phased-in approach to prepare for any additional work caused by expansion of the program. While our systems environment can handle substantially increased volumes of queries if necessary, we may need to add additional capacity should the program be mandatory for all current employees as well as new hires.

### Importance of Relationship with the Employer Community

Let me turn now to other ways that we support the employer community in its effort to accurately report wages. One of our most important responsibilities is maintaining the accuracy of earnings for all workers who have paid Federal Insurance Contributions Act, or FICA, taxes. As I noted above, properly crediting earnings to the correct SSN ensures that we can determine eligibility for retirement, survivors, and disability benefits and pay the correct benefit amount. Our relationship with over 6 million employers across the United States is vital to the success of this responsibility.

One of the most important ways in which we support the employer community is through our SSN verification services. We have successfully provided SSN verification services to the employer community for many years. Employers can verify SSNs for their employees electronically, by telephone, or by submitting paper listings. In the beginning, we processed most SSN verifications in our field offices. Because this process was highly labor intensive, we have since automated much of this work.

### Business Services Online

Our Business Services Online (BSO) initiative enables authorized organizations and individuals to conduct business with us. Once registered through BSO, users may request, activate, and access various services and functions, including our Social Security Number Verification Service (SSNVS), our Telephone Number Employer Verification (TNEV) service, our consent-based SSN verification system (CBSV), and electronic wage reporting.

## SSNVS

Today we do most of our employer SSN verifications electronically through the SSNVS program. Under SSNVS, we verify SSNs and names solely to ensure that the records of current or former employees are correct for wage reporting purposes. In FY 2010, we processed about 104 million SSN verifications using SSNVS.

SSNVS is a voluntary, free, and secure Internet service that provides employers with an immediate response for a limited number of SSN verification requests or a next business day response for high volume SSN verification requests.

Employers must use SSNVS consistently. For example:

- If they use it for newly hired workers, they should verify information on all newly hired workers.
- If they use it to verify information on other workers, they should verify the information for all other workers.

We strictly limit third-party use of SSNVS to organizations that contract with employers to either handle the wage reporting responsibilities or perform an administrative function directly related to annual wage reporting responsibilities of hired employees.

There are penalties for SSNVS misuse. Anyone who knowingly and willfully uses SSNVS to request or obtain information from us under false pretenses violates Federal law and may be punished by a fine, imprisonment, or both.

If the name and SSN do not match our records, we tell the employer that the mismatch response does not imply that the employee intentionally provided incorrect information. We also note that the response does not make any statement about the employee's immigration status, and is not a basis, in and of itself, to take any adverse action against the employee.

## TNEV

TNEV is an automated telephone service that allows registered employers and third-parties to verify up to 10 employee names and SSNs at one time without speaking to an SSA employee. Like SSNVS, registered users can use TNEV only after an employee has been hired and only for wage reporting purposes. In FY 2010, TNEV handled over 500 calls.

## CBSV

CBSV is a fee- and consent-based SSN verification service available to enrolled private companies and Federal, State, and local government agencies. It provides instant, automated verification. Using CBSV, participating companies can verify the SSNs of their customers and clients. Entities must have an Employer Identification Number (EIN) to enroll.

CBSV verifies whether a name and SSN combination match the data in our records. The submitted information is matched against our Numident file. The matching elements include SSN, name, and date of birth. Each SSN and name combination submitted to CBSV will be returned with a “yes” or “no” verification code indicating that the submission either matches or does not match our records. If applicable, we will report a death indicator when our records reflect that the SSN holder is deceased. Results obtained from CBSV do not confirm or authenticate "proof of identity."

CBSV requires the written consent of the SSN holder and the verification results may be used only for the reason that the number holder specifies.

CBSV is fee-based. To use CBSV, entities must pay a one-time non-refundable enrollment fee of \$5,000 and then pay a transaction fee per SSN verification request. The transaction fee is presently \$5.00 and must be paid in advance.

Periodically, we will recalculate our costs to provide the CBSV service and adjust the transaction fee charged as appropriate. We notify subscribers in writing of any change in the transaction fee. We may close enrollment to CBSV at our discretion.

In FY 2010, we responded to about 1.2 million requests for SSN verification through CBSV.

## Wage Reporting

Once an employee is hired, employers must provide us with annual reports of his or her wages. Our role in the wage reporting process is to ensure that all workers receive credit for the work for which they and their employers paid Social Security taxes.

Currently, employers report wages to us annually on Forms W-2 (Wage and Tax Statement). We process the W-2 data for tax purposes for the Internal Revenue Service (IRS). In addition, self-employed individuals report information on self-employment income to IRS on Schedule SE. IRS then sends this self-

employment information to us. We use the individual's name and SSN to record his or her earnings. Use of and disclosure of tax return information is governed by section 6103 of the Internal Revenue Code, and we only use this information for the purpose of administering our programs.

Each year, we process about 240 million W-2s from 6.3 million employers. Employers send these reports either electronically or on paper. We encourage electronic wage reporting, and we work with the employer community to educate them on its advantages. More and more employers submit their wage reports electronically; in fact, employers filed about 84 percent of W-2s electronically in FY 2010 -- up from less than 10 percent in 1999. We believe continued increases in electronic filing will reduce errors over time.

### The Earnings Suspense File

The Earnings Suspense File (ESF), or "suspense file," is an electronic holding file for wage items reported on W-2s that we cannot match to the earnings records of an individual worker. If we later resolve the mismatch, we can remove the item from the suspense file and credit the earnings to that person's record.

Since the beginning of the program in 1937 through Tax Year (TY) 2008, the most recent year for which earnings data are available, the suspense file contained about 305 million wage items. While the suspense file represents an accounting of unassociated wage items, the taxes on these wages have been paid into the Trust Funds. For TY 2008, the Trust Funds received credit for \$10.7 billion in payroll taxes based on wage items placed in the suspense file.

In order to credit wages to the correct worker, the worker's name and SSN on the W-2 must match the name and SSN in our records. About 10 percent of the W-2s that we receive have invalid name and SSN combinations when we receive them. In our initial processing, our computer system uses more than twenty automated routines to identify commonly occurring errors that, when corrected, enable us to properly post the W-2 information to the correct record.

Using these computer routines, we posted more than half of all W-2s that contained invalid name/SSN combinations to the correct SSN for TY 2008. The balance, about four percent of all W-2s we received for TY 2008, went to the suspense file.

## Removing W-2 Items from the Suspense File

We remove wage items from the suspense file on an ongoing basis and post them to the correct worker's record. These reinstatements typically occur when a worker provides evidence of missing wages after reviewing his or her Social Security Statement, or when an employer submits a corrected W-2. Over time, the percentage of W-2s for a given year or period of years that remain in the suspense file declines as a result of this subsequent processing.

We are dedicated to reducing the suspense file's rate of growth and reducing its current size. We want to make sure that workers receive full credit for their earnings and that we pay the correct benefit amount.

## Conclusion

I want to thank you again for inviting me to be here today. On behalf of all of my SSA colleagues, we look forward to your continued support of Social Security and for our mission.

I will be glad to answer any questions that you may have.