

Testimony of

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Statement of Martin H. Gerry
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Chairman Cornyn, Senator Kennedy, and members of the Subcommittee:

Thank you for the opportunity to appear before you today to discuss how the Social Security Administration's (SSA) work in issuing Social Security numbers (SSNs) and processing wage reports supports the Department of Homeland Security's immigration law enforcement activities.

Maintaining accurate records is of utmost importance to SSA. Earnings posted to a worker's SSN are used to determine both eligibility for Social Security benefits and the amount of those benefits. The SSN is also used to track payment of those benefits. We are keenly aware of our responsibilities to ensure that we issue SSNs and cards only to those persons who are eligible to receive them. Today, I will discuss some of the steps SSA takes to meet these responsibilities.

The Social Security Number

As you know, the SSN for many years functioned only as a way for SSA to keep track of the earnings of workers in employment covered by Social Security. There was no statutory authority for other uses of SSNs until 1972; since then, the use of SSNs as an identifier by government and the private sector has proliferated to the point that it has become integral to most government functions as well as to private business transactions ranging from banking to video rental. For example, possession of a valid SSN did not become a condition for receiving government assistance until 1977. SSNs were not required for dependents on tax returns until 1986.

Until the 1970s, SSNs were assigned and cards were issued based solely on information provided by the applicant. But as the uses of the SSN have expanded over the past 35 years, the need to establish and then continually strengthen the associated documentation requirements have become increasingly important. In fact, the documentation requirements today are significantly more stringent than they were just 5 years ago.

The SSN card was never intended and does not serve as a personal identification document--that is, possession of the card does not establish that the person presenting it is actually the person whose name and SSN appear on the card. The card does not contain information that would allow it to be used independently as proof of identity. Since SSA uses the SSN as an administrative tool to facilitate the proper crediting of wages, our focus has been on ensuring our ability to determine whether an SSN matches the name of the individual to which it was assigned. We have great confidence in our ability to correctly post wages to the correct record when they are reported correctly. After all, those activities have been central to our business processes for the past 75 years.

Our ability to determine the identity of the person to whom a number has been assigned, whether that individual was entitled to an SSN, and whether the individual was authorized to work in the U.S. at the time the SSN was issued,

has been improved with the development of SSA's more stringent verification processes and requirements.

Strengthen the Enumeration Process

I would like to highlight some actions that SSA has taken over the years to strengthen the enumeration process.

As I noted earlier, at the inception of the program, all SSNs were assigned and cards issued based solely on information provided by the applicant. Evidence of identity was not required.

Over time, as the use of the number has been expanded for other purposes, SSA has recognized that changes were necessary to protect the integrity of the card and enumeration process.

Beginning in November 1971, persons age 55 and over applying for an SSN for the first time were required to submit evidence of identity. As of April 1974, non-citizens were required to submit documentary evidence of age, identity and immigration status. This made it more difficult to obtain a card on the basis of a false identity. SSA was also concerned that individuals who had been assigned SSNs for purposes other than work might use the card to obtain unauthorized employment. Therefore, in July 1974, we began to annotate our records to show when a non-citizen had been issued an SSN for nonwork purposes. Four years later, the integrity of the SSN was further improved, when we began requiring all SSN applicants, not just non-citizens, to provide evidence of age, identity and United States citizenship or non-citizen status. In October 2003, SSA significantly tightened the rules concerning issuance of nonwork SSNs.

We have also developed new processes for issuing SSNs to newborns and immigrants with permanent work authorization.

Enumeration at Birth Process (EAB)

Because of increased demand for SSNs for children at earlier ages due to tax and banking requirements, SSA developed and began to use the EAB process in 1987. SSA recognized that all the information needed to process an SSN application for a newborn was gathered by hospital employees at the child's birth and verified with the respective bureaus of vital statistics. Nearly three-quarters of all requests for an original SSN are now completed through this process.

'Enumeration at Birth' is available in the fifty states, the District of Columbia, and Puerto Rico, and allows parents to indicate on the birth certificate form whether they want an SSN assigned to their newborn child. When a parent requests an SSN for a child through EAB, the State vital statistics office receives the request with the birth registration data from the hospital and then forwards this information to SSA. As a result of these procedures, the parent is not required to file a separate application for an SSN for the child. Based on the information the State forwards to SSA, we assign an SSN and issue a card for the child.

It is important to note that EAB is a voluntary program on the part of the hospitals and the States and other jurisdictions. No law requires State or hospital participation. The program is administered under the provisions of a contract between each state and SSA that includes safeguards to ensure that the process is not vulnerable to fraud. SSA reimburses the states for participation on a per item basis (currently \$2.04 for each birth record). EAB is a far more secure way to enumerate newborns. In addition, the program provides significant savings to the Federal government and a convenient service option for the public.

Enumeration at Entry (EAE)

To reduce fraud and improve government efficiency, SSA inaugurated our Enumeration-at-Entry process in October 2002. Under this process, SSA has entered into agreements with DHS and the Department of State (DOS) for those agencies to assist SSA in enumerating immigrants. To assist SSA, DOS collects enumeration data as part of the immigration process. When the immigrant enters the United States, DHS notifies SSA and the card is issued.

Other Improvements

Within the past several years, to improve the security of our enumeration process, SSA has instituted numerous safeguards to prevent a person from fraudulently obtaining an SSN. These include:

? SSA verifies the immigration status of an individual with DHS before assigning an SSN to a non-citizen.

? Because the majority of individuals born in the U.S have been assigned an SSN by the time they reached age 12, SSA requires a mandatory in-office interview with all SSN applicants age 12 or older.

? As a result of the Intelligence Reform and Terrorism Prevention Act of 2004 (IRTPA), Public Law (P.L.)108-458, SSA restricts the issuance of replacement SSN cards to no more than three per year and no more than ten per lifetime;

? As a result of the same law, SSA has established improved verification standards for documents submitted in support of an application for an SSN and requires independent verification of birth records of individuals of all ages applying for an original SSN card (other than those enumerated at birth).

The Social Security Card

Just as the SSN was created for administrative reasons, the Social Security card was designed to give individuals a record of their SSNs. The demand for counterfeit cards has grown with the increased uses of the SSN.

Consequently, Congress and the Executive Branch have worked together over the years to increase the security features included in the card, as the following discussion illustrates. Let me say at this point though, that while some security features have been made public, other features are forensic in nature and must be kept confidential in order to protect the security of the card. I am sure you will understand the caution which must be exercised in discussing the security features of the card in a public forum. Beginning in 1983, the Social Security Act required that SSN cards be made of banknote paper, and to the maximum extent practicable be a card that cannot be counterfeited. SSA worked with the Bureau of Engraving and Printing, the Government Printing Office, the Secret Service, and the Federal Bureau of Investigation to design a card that met these requirements.

Recent Improvements to the Card

The immigration and welfare reform legislation passed in 1996 required us to both conduct a study and to develop a report on different methods for improving the Social Security card process, including prototypes of new cards. This report, "Options for Enhancing the Social Security Card," was issued in 1997.

You have asked us for information on the cost of replacing social security cards. We know from the 1997 effort that the main costs associated with replacing the current SSN card are those associated with reinterviewing individuals and reverifying documents, while the additional costs of the card itself--even one with additional security features--are minimal. I will address these cost issues more in a moment.

The IRTPA required the Commissioner of Social Security, in consultation with the Secretary of Homeland Security, to form an interagency task force to establish requirements for improving the security of Social Security cards and numbers. Because current law requires the card to be printed on banknote paper, the taskforce was limited to consideration of improvements to this type of card. The taskforce included representation from SSA, DHS and the Federal Bureau of Investigation, Department of State and the Government Printing Office. The taskforce has completed its work, and the Commissioner has developed an implementation plan to produce an SSN card that is less vulnerable to counterfeiting, tampering, alteration and theft.

Cost of Cards

You asked me to address today the issues associated with replacing current Social Security cards with a new type of card and the costs in terms of dollars and work years, as well as timeframes for this transition. Although the Administration is not seeking to replace all Social Security cards, in response to your question, in determining the cost of replacing Social Security cards for a significant portion of the population, it is important to note that, as I indicated earlier, producing the physical card, even the most elaborate card, would be the least expensive part of the process.

The most important factor affecting the total cost is the requirement to verify the identity of the person applying for the card and, in the case of non-citizens, determining the immigration status and work

authorization. Other factors must be taken into account as well. For example, the cost of peripheral equipment that might be needed in SSA field offices to work with the new cards and the cost to SSA to notify number holders who might need to obtain a new SSN card would have an impact on total outlays.

Currently, most original SSNs (and cards) for United States born individuals are issued through the EAB process in which parents apply for their child's SSN at the hospital as part of the birth registration. The vast majority of replacement SSN cards, and a relatively small number of original SSN cards for U.S. born individuals, are issued by SSA field offices where evidence is reviewed and verified. The majority of original SSN cards issued through SSA field offices are for individuals who recently arrived in the United States and whose immigration status permits assignment of an SSN.

Last year, we estimated that a card with enhanced security features would cost approximately \$25.00 per card, not including the start-up investments associated with the purchase of equipment needed to produce and issue this type of card. According to estimates made last year, reissuance of all new cards for the 240 million cardholders over age 14 would be approximately \$9.5 billion. Since that estimate, we know that the cost of issuing SSN cards has increased by approximately \$3.00 per card due to new requirements for additional verification of evidence, so we anticipate an increase in the total cost estimate when we update our figures to reflect current dollar costs.

Currently, staff of the agency devotes approximately 3,300 work years of effort are devoted to the SSN card issuance process. Last year's estimate indicates that we would need an additional 67,000 work years to process 240 million

new cards. This would require hiring approximately 34,000 new employees if we were required to complete the work within 2 years and 14,000 new employees to complete the work in 5 years. This estimate assumes replacing cards for 240 million individuals; if fewer were replaced, the cost would be lower. An approach that mandated new tamper resistant cards would

be issued only during the normal course of initial issuance and reissuance would involve relatively modest additional costs. If a phased approach were mandated that limited new cards to only the approximately 30 million people who change jobs at least once during a year and the additional 5 million young people reaching age 14, the cost would be approximately \$1.5 billion per year, using last years cost numbers.

As you are aware, the expertise of counterfeiters and the wide availability of state-of-the-art technology make it increasingly difficult to develop and maintain a document that cannot be counterfeited, despite best efforts to guard against such incidents. Therefore, SSA will continue to evaluate new technology as it becomes available to determine if additional features should be included.

Verifying SSNs

On another front, SSA has also worked to develop different tools to assist employers in verifying a worker's SSN. Initially, SSA used a manual process for verifications. This was a highly labor-intensive process that has become increasingly cumbersome as verification became more rigorous and workloads increased.

Over the years, SSA has worked to offer employers alternative methods to verify SSNs. One of those methods is the Employee Verification System (EVS), which has been available to employers for over a decade. EVS is a free, convenient way for employers to verify employee SSNs. It provides employers with several options depending on the number of SSNs to be verified:

? For up to five SSNs, employers can call SSA's toll-free number for employers (1-800-772-6270).

? Employers also have the option to submit a paper listing to the local Social Security office to verify up to 50 names and SSNs.

? In addition, employers may use a simple registration process to verify requests of more than 50 names and SSNs or for any number of requests submitted on magnetic media.

To further increase the ease and convenience of verifying employee SSNs, SSA developed the Social Security Number Verification Service (SSNVS), which is an internet-based option that permits employer's to quickly verify that the employee-provided information matches with SSA's records. SSA expanded this service to all employers in June 2005. In that year, we processed over 25.7 million verifications for over 12,000 employers through SSNVS, and we estimate that we provided an additional 41 million employer verifications through other verification methods.

Basic Pilot Program

For all queries submitted through the Basic Pilot Program, which is administered by USCIS in DHS, SSA matches the employees name, SSN, and date of birth against the information in SSA's records. SSA confirms whether the information matches or does not match its records and whether a death indicator is present on SSA's records. In addition, if the employee alleges United States citizenship, SSA checks the employee's citizenship status as recorded in SSA's records. For all queries indicating the employee is a non-citizen, DHS uses the employee's submitted alien registration number or admission number to confirm current employment eligibility. In 2005, SSA processed approximately one million queries to the Basic Pilot.

Identity Theft

I have described today the measures we take to ensure the identity of the person to whom we are assigning an SSN or issuing a Social Security card. And I have described the services we offer to employers to assure that the names and SSNs of their employees match the name and SSN combination in our records. But there is no way we can tell employers or Departments of Motor Vehicles, for example, whether a person standing in front of them is the individual to whom the SSN was assigned or the Social Security card was issued. So verifying a name and SSN combination is not, and cannot be, by itself, a protection against identity theft.

No-Match Information

In certain instances when a Social Security number does not match that worker's name, SSA notifies employers of this situation through what is commonly called a 'no match' letter. We send these letters to employers who submit more than 10 wage items when more than 0.5 percent of the items in a wage report consist of an SSN and name combination does not match our records. The employer 'no match' letters include a list of up to 500 SSNs submitted by the employer in wage items that SSA could not post to a worker's record. In 2004, we sent approximately 120,000 employer 'no match' letters, which covered 7.3 million mismatched records. For privacy reasons, the letter lists only the SSNs, not the name/SSN combination.

The only source of information that SSA receives about a taxpayer's employer and earnings is from tax return information on the Form

W-2. We receive and process this information as an agent for the Internal Revenue Service. Use of and disclosure of tax return information is governed by section 6103 of the Internal Revenue Code. SSA currently has the authority to use this information only for the purpose of determining eligibility for and the amount of social security benefits.

Although, under current law, SSA cannot release no-match data, to DHS, the Administration supports allowing this disclosure in the interests of national security and for law enforcement purposes.

Conclusion

In closing, let me say again that SSA remains committed to maintaining the security of the SSN and the SSN card and ensuring that the American public's hard-earned wages are properly credited to them so that they will be able to receive all of the benefits to which they may be entitled.

Thank you for the opportunity to appear before you, and I will be pleased to answer any questions you may have.