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**SOCIAL SECURITY
ADMINISTRATION**

**Procedures for Issuing
Numbers and Benefits to
the Foreign-Born**

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Education, Workforce, and Income Security





Highlights of [GAO-06-253T](#), a testimony before the Subcommittee on Social Security, Committee on Ways and Means, House of Representatives

Why GAO Did This Study

In 2004, an estimated 35.7 million foreign-born people resided in the United States, and many legitimately have SSNs. Many of these individuals have Social Security numbers (SSNs) which can have a key role in verifying authorization to work in the United States. However, some foreign-born individuals have been given SSNs inappropriately. Recent legislation, aimed at protecting the SSN and preventing fraud and abuse, changes how the Social Security Administration (SSA) assigns numbers and awards benefits for foreign-born individuals. The chairman of the Subcommittee on Social Security asked GAO to address two questions. First, how does SSA determine who is and is not eligible for an SSN? Second, how does SSA determine who is and is not eligible for Social Security benefits?

What GAO Recommends

GAO is making no new recommendations in this testimony.

www.gao.gov/cgi-bin/gettrpt?GAO-06-253T.

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

SOCIAL SECURITY ADMINISTRATION

Procedures for Issuing Numbers and Benefits to the Foreign-Born

What GAO Found

SSA determines who is eligible for an SSN by verifying certain immigration documents and determining if an individual's card requires a work restriction. Some foreign-born individuals are eligible for one of three kinds of Social Security cards depending in part on their immigration status: (1) regular cards, (2) those valid for work only with authorization from the Department of Homeland Security (DHS), and (3) those that are not valid for work—non-work cards. As of 2003 SSA had issued slightly more than 7 million non-work cards to people who need them to receive benefits for which they were otherwise entitled. Both SSA's Inspector General and GAO have identified weaknesses in SSA procedures for assigning SSNs and issuing cards, also known as enumeration. For example, working undercover and posing as parents of newborns, GAO investigators were able to obtain Social Security cards by using counterfeit documents. Congress has enacted recent legislation strengthening the SSN enumeration process and documentation requirements. SSA is implementing the law and is improving document verification and now requires third-party verification of noncitizen documents such as birth certificates and visual inspection of documents before issuing an SSN. SSA also continues to strengthen program integrity by, for example, restricting the number of replacement cards.

Congress and SSA have also improved laws and procedures designed to strengthen program integrity in the payment of benefits to the foreign-born. Due to provisions of the Social Security Protection Act of 2004, some foreign-born individuals who were not authorized to work will no longer be eligible for benefits. To be entitled to benefits, the law requires noncitizens originally assigned an SSN after 2003 to have a work-authorized SSN. Amendments to the Social Security Act in 1996 require individuals to be lawfully present in the U.S. to receive Social Security benefits, though some noncitizens can receive benefits while living abroad, such as noncitizens who have worked in the U.S. and in a country with which the U.S. has a totalization agreement. SSA's totalization agreements coordinate taxation and public pension benefits. The agreements help eliminate dual taxation and Social Security coverage that multinational employers and employees encounter when workers temporarily reside in a foreign country with its own Social Security program. Successful implementation of these agreements requires the countries involved to carefully coordinate and verify data they exchange. Computer matches with foreign countries, for example, may help protect totalization programs from making payments to ineligible individuals. SSA is exploring options for undertaking such exchanges.

Mr. Chairman and Members of the Subcommittee:

I am pleased to be here today to discuss the Social Security Administration's (SSA) procedures for issuing Social Security numbers (SSNs) and benefits to foreign-born individuals. In 2004, an estimated 35.7 million foreign-born people resided in the United States, and many legitimately have SSNs. In light of concern that foreign-born individuals may have been given SSNs inappropriately as well as recent legislation that changes how SSA assigns numbers and awards benefits for foreign-born individuals,¹ you asked us to address two questions. First, how does SSA determine who is and is not eligible for an SSN? Second, how does SSA determine who is and is not eligible to receive Social Security benefits?

GAO has over the past few years studied several issues related to these topics. For example, in 2003 we reported on SSA's issuance of SSNs to foreign-born noncitizens.² In February of 2005, we reported on SSA's ability to develop and manage agreements with other nations to avoid duplicating Social Security and other taxes and benefits for workers who have been employed both in the U.S. and in another country, commonly known as totalization agreements.³ In both reports GAO found that SSA was undertaking improvements in its procedures for issuing SSNs and benefits to the foreign-born, but that SSA nonetheless remained vulnerable to errors and fraud. My remarks today are drawn from that past work, updated for recent changes in law and SSA procedures. We conducted our review in accordance with generally accepted government auditing standards.

In summary, SSA determines who is eligible for an SSN by verifying certain immigration documents and determining if an individual's card

¹The *Social Security Protection Act of 2004*, Pub. L. No. 108-203 (2004) and the *Intelligence Reform and Terrorism Prevention Act of 2004*, Pub. L. No. 108-458 (2004).

²GAO, *Social Security Administration: Actions Taken to Strengthen Procedures for Issuing Social Security Numbers to Noncitizens, but Some Weaknesses Remain*, [GAO-04-12](#) (Washington, D.C.: Oct. 15, 2003). For convenience, we use the term "noncitizens" to refer to aliens as defined by the Immigration and Nationality Act, Pub. L. No. 82-414 (1952). This act defines an alien as "any person not a citizen or national of the United States."

³GAO, *Social Security Administration: A More Formal Approach Could Enhance SSA's Ability to Develop and Manage Totalization Agreements*, [GAO-05-250](#) (Washington, D.C.: Feb. 28, 2005).

requires a work restriction. Some foreign-born individuals are eligible for one of three kinds of Social Security cards depending in part on their immigration status: (1) regular cards, (2) those valid for work only with authorization from the Department of Homeland Security (DHS), and (3) those that are not valid for work—nonwork cards. As of 2003 SSA had issued slightly more than 7 million nonwork cards to people who needed them to receive benefits for which they were otherwise entitled.⁴ Both SSA's Inspector General and GAO have identified weaknesses in SSA procedures for assigning SSNs and issuing cards, also known as enumeration. For example, working undercover and posing as parents of newborns in 2003, GAO investigators were able to obtain Social Security cards by using counterfeit documents. Congress has enacted recent legislation strengthening the SSN enumeration process and documentation requirements. SSA is implementing the law and is improving document verification and now requires third-party verification of noncitizen documents such as birth certificates and visual inspection of documents before issuing an SSN. SSA also continues to strengthen program integrity by, for example, restricting the number of replacement cards it issues.

Congress and SSA have also improved laws and procedures designed to strengthen program integrity in the payment of benefits to the foreign-born. Due to provisions of the Social Security Protection Act of 2004, some foreign-born individuals who were not authorized to work will no longer be eligible for benefits. To be entitled to benefits, the law requires noncitizens originally assigned an SSN after 2003 to have a work-authorized SSN. Amendments to the Social Security Act in 1996⁵ require individuals to be lawfully present in the U.S. to receive Social Security benefits, though some noncitizens can receive benefits while living abroad, such as noncitizens who have worked in the U.S. and in a country with which the U.S. has a totalization agreement. SSA's totalization agreements coordinate taxation and public pension benefits. The agreements help eliminate dual taxation and Social Security coverage that multinational employers and employees encounter when workers temporarily reside in a foreign country with its own Social Security program. Successful implementation of these agreements requires the countries involved to carefully coordinate and verify data they exchange. Computer matches with foreign countries, for example, may help protect totalization

⁴GAO-04-12.

⁵*Illegal Immigration Reform and Immigrant Responsibility Act of 1996*, Pub. L. No. 104-208 (1996).

programs from making payments to ineligible individuals. SSA is exploring options for undertaking such exchanges.

Background

Originally, SSNs were used to keep track of earnings, contributions, and old-age, disability, and survivor benefits for people covered by the Social Security program. Increasingly, however, SSNs have been used for a wide variety of purposes by private firms and federal, state, and local governments. Cases in which ineligible foreign-born individuals have obtained or used SSNs to secure employment and receive Social Security benefits, and increasing incidents of identity theft, have focused attention on the need to prevent abuse of SSNs.

An estimated 96 percent of workers in the U.S., including many foreign-born citizens and noncitizens, are required to pay Social Security payroll taxes, also called Federal Insurance Contribution Act (FICA) taxes.⁶ When workers pay Social Security taxes, they earn up to 4 coverage credits each year.⁷ Generally 40 credits—equal to at least 10 years of work—entitle workers to Social Security benefits when they reach retirement age.⁸ Social Security benefits are based on workers' covered earnings during their career. Different requirements apply in cases where workers become disabled or die with relatively short work careers. Although the Social Security Act provides that people meeting the work and contribution requirements accrue benefits, the act also generally prohibits payment of benefits to people who are not lawfully present in the U.S. as specified by DHS regulations.

In fiscal year 2005, SSA assigned about 1.1 million original SSNs to noncitizens, representing about one-fifth of the 5.4 million original SSNs issued that year. Fewer than 15,000 of these were cards with “nonwork” SSNs issued to noncitizens unauthorized to work in the U.S. under

⁶Workers who are not covered include some federal employees hired before 1984, some state and local workers, and college students working at their academic institution.

⁷The amount of earnings needed for a credit changes from year to year. In 2006, workers earn one quarter credit for each \$970 they earn, up to a maximum of four credits each year.

⁸Workers born in 1929 or later need a minimum of 40 quarters to become eligible for benefits. They become eligible for full retirement benefits from age 65 to age 67, depending on when they were born. Reduced retirement benefits may be available at age 62.

immigration law.⁹ SSA also issues replacement cards to people who have already been assigned SSNs, but have lost their card. In fiscal year 2005, SSA issued over 800,000 such replacement cards to noncitizens, about 7 percent of the 12.1 million replacement cards issued that year.

Citizenship and Immigration Status

SSA uses different procedures for assigning SSNs depending on whether individuals are born in the U.S. or are foreign-born and depending on their citizenship or immigration status.

U.S. Citizens:

- Almost all individuals born in the U.S. or in U.S. jurisdictions are U.S. citizens at birth;¹⁰ however, some foreign-born individuals can also become U.S. citizens if their adoptive or birth parents are U.S. citizens or if they become naturalized citizens.¹¹ Because foreign-born citizens are eligible for the same types of SSNs and benefits as U.S.-born citizens, we will focus for the remainder of this testimony on noncitizens.

Noncitizens:

- Immigrants are noncitizens who may lawfully reside and work permanently in the U.S. About 600,000 to 1.1 million noncitizens come to the US each year as immigrants.
- Nonimmigrants include noncitizens who come to the U.S. lawfully (for example, with temporary visas) and those who reside in the U.S. unlawfully (in violation of the Immigration and Nationality Act). Nonimmigrants who remain in the U.S. without DHS authorization overstay their nonimmigrant visas or enter the country illegally. As of 2004, an estimated 10.3 million unauthorized noncitizens lived in the U.S., according to the Pew Hispanic Center's analysis of March 2004 *Current Population Survey* and other Census data.

⁹*The Immigration Reform and Control Act*, Pub. L. No. 99-603 (1986), requires that individuals provide documents that establish their identity and eligibility to work in the United States, such as passports, driver's licenses and the Social Security card, among others. Unauthorized workers sometimes buy, steal, or produce counterfeit documents or use other people's legitimate documents to give to an employer in an attempt to demonstrate, falsely, compliance with the legal requirements.

¹⁰This does not apply to people born in the U.S. who were children of foreign heads of state or children of foreign diplomats.

¹¹Naturalization requires, among other things, a period of continuous residence in the U.S. and passing a citizenship test.

Responsibilities for Preventing Abuse of SSNs and Improper Social Security Payments

The State Department, DHS, SSA, and employers have responsibilities to help ensure that noncitizens who are not authorized to work are denied employment. The State Department identifies who among people abroad seeking to come to the U.S. is eligible to enter the U.S. and who is eligible to work in the U.S. DHS denies entry to people who are ineligible and enforces immigration requirements in cases where people enter the U.S. illegally or work without authorization. In cooperation with the State Department and DHS, SSA assigns SSNs to eligible noncitizens. Employers are required to inspect employees' work authorization documents.¹² A regular Social Security card can be one of the key documents that employers use to verify that employees are authorized to work. In some cases, however it may be difficult to distinguish a regular card from a nonwork card. Specifically, cards for individuals not eligible to work did not contain the restriction "NOT VALID FOR EMPLOYMENT" until May 1982. Finally, the SSA ensures that benefit payments go only to people who have earned them and who are lawfully present in the U.S. or in another country with which the U.S. has an agreement for reciprocal cross border payment of benefits.

Recent Legislation to Prevent Social Security Fraud and Abuse

The Intelligence Reform and Terrorism Prevention Act of 2004 (IRTPA) was enacted in response to the terrorist attacks of September 11, 2001 to reform our nation's intelligence community and strengthen terrorism prevention and prosecution, border security, and international cooperation and coordination. IRTPA included several specific provisions for strengthening the SSN enumeration process and documentation requirements for obtaining SSNs and cards. For example, the act required minimum standards for birth certificates and directed the Department of Health and Human Services to establish these standards in consultation with DHS, SSA, and others. IRTPA also required that SSA limit the number of replacement cards it issues annually; adopt measures to improve verification of documents presented to obtain an original or replacement Social Security card; independently verify any birth record presented to obtain an SSN; prevent the assignment of SSNs to unnamed children and adopt additional measures to prevent assignment of multiple SSNs to the same child; form an interagency taskforce to establish standards to better protect Social Security cards and SSNs from counterfeiting, tampering,

¹²Employers must complete an Employment Eligibility Verification (DHS Form I-9) certifying that they have examined documents presented and that the documents appear genuine and relate to the person presenting them.

alteration, and theft; and provide for implementation of security requirements by June 2006.

The Social Security Protection Act (SSPA) of 2004 imposed new restrictions on the payment of Social Security benefits to noncitizens.¹³ Before these provisions went into effect, all payments into the system would count toward insured status, regardless of whether or not the noncitizen was authorized to work by DHS. Under this new law, noncitizens who apply for benefits with an SSN originally assigned after 2003 must have work authorization at the time their SSN is assigned or at some later point before applying for benefits to gain insured status under the Social Security program. If the individual never had authorization to work in the United States, none of his or her earnings would count toward insured status and neither the worker nor dependent family members could receive Social Security benefits.

Totalization Agreements

SSA also has specific procedures to award benefits for foreign-born workers who work in both the U.S. and in another country with which the U.S. has a totalization agreement. These are bilateral agreements intended to accomplish three purposes. First, they eliminate dual social security coverage and taxes that multinational employers and employees encounter when workers temporarily reside in a foreign country with its own Social Security program. Under these agreements, U.S. employers and their workers sent temporarily abroad benefit by paying only U.S. social security taxes, and foreign businesses and their workers benefit by paying only Social Security taxes to their home country. Second, the agreements provide benefit protection to workers who have divided their careers between the U.S. and a foreign country, but do not qualify for benefits under one or both Social Security systems, despite paying taxes into both. Totalization agreements allow such workers to combine (totalize) work credits earned in both countries to meet minimum benefit qualification requirements. Third, totalization agreements generally improve the portability of Social Security benefits by authorizing the waiver of residency requirements. The U.S. has totalization agreements in effect with 21 countries—several western European countries, and others including Canada, Australia, Japan, South Korea, and Chile. (See table 4 in App. I for a list of countries with which the U.S. has totalization agreements.)

¹³This applies to retirement, survivors, and disability benefits.

Revised Enumeration Procedures for the Foreign-Born Are Expected to Reduce Potential for Abuse

In coordination with the State Department and DHS, SSA determines who is eligible for an SSN by verifying certain immigration documents and determining if an individual's card requires a work restriction. Our 2003 report identified improvements SSA had made in its enumeration processes, but also pointed to continued weaknesses, some of which SSA and the Congress have since addressed.¹⁴

Foreign-Born may be Eligible for One of Three Types of Social Security Cards

Under current law U.S. citizens are eligible for SSNs whether they were born in the U.S. or elsewhere. Depending on their immigration status, noncitizens may be eligible for one of three types of Social Security cards: regular cards, those cards valid for work only with authorization from the DHS, and nonwork SSN cards.

1. **Regular Social Security card:** The first and most common type of card is for individuals who are eligible to work. Individuals issued these SSNs receive a Social Security card showing their name and SSN without marked restriction. To be eligible for this card an individual must be one of the following
 - U.S. citizen (whether foreign-born or not),
 - noncitizen lawfully admitted to the U.S. for permanent residence (an immigrant),
 - noncitizen with permission from the DHS to work permanently in the U.S.,¹⁵ or
 - member of a group eligible to work in the U.S. on a temporary basis (e.g., with a work visa, certain authorized workers in an approved exchange program).¹⁶

¹⁴GAO-04-12.

¹⁵For example, refugees, people granted asylum and citizens of Compact of Free Association countries—the Marshall Islands, the Federated States of Micronesia, and the Republic of Palau.

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2. **DHS-authorized work card:** A much less common type of Social Security card is issued to noncitizens who are eligible to work under limited circumstances. They receive a card showing the inscription “VALID FOR WORK ONLY WITH DHS AUTHORIZATION.” To be eligible for these cards noncitizens must have DHS permission to work temporarily in the U.S. SSA issues these cards to eligible workers, such as certain foreign students and spouses and children of exchange visitors.¹⁷
3. **Nonwork card:** The third type of card is for people not eligible to work in the U.S.¹⁸ SSA sends recipients of these SSNs a card showing their name, SSN, and the inscription “NOT VALID FOR EMPLOYMENT.” To be issued these cards, noncitizens who are legally in the U.S. and do not have DHS permission to work must have been found eligible to receive a federally-funded benefit or are subject to a state or local law that requires them to have an SSN to get public benefits. Examples include Temporary Assistance for Needy Families, Supplemental Security Income, Social Security Survivor benefits, Medicaid, and Food Stamps. As of 2003, SSA had issued a total of

¹⁶Specifically, these include authorized noncitizens working in certain designated fields including registered nurse; agricultural worker; nonagrarian seasonal workers and others (with visa status H-1C, H-2A, H-2B, or H-1B, respectively); authorized foreign students working in on-campus jobs or in school-approved off-campus jobs providing practical training that is a part of the educational program; or authorized workers in approved exchange programs, such as au pair programs (involving work for a host family); and programs for visiting professors, scholars, and physicians. Although authorized work for these last two groups is often not employment covered by Social Security, people in these groups are eligible for Social Security cards. Additional groups eligible for these cards include authorized foreign government officials or employees and foreign government’s representatives to international organizations.

¹⁷In some cases, for example, SSA issues these cards to foreign students for optional practical training, an internship with a recognized international organization, or in cases of severe economic hardship. In these cases SSA must verify the applicant’s documents and see evidence of a job commitment and specific DHS authorization before issuing a SSN card.

¹⁸Whether or not noncitizens are eligible to work in the U.S., their income from employment and other sources, such as investment income, is generally subject to the same tax laws that apply to citizens. Individuals not authorized to work in the U.S. and not eligible for an SSN who owe federal income taxes can obtain a taxpayer identification number to conduct business with a bank and file IRS tax returns. An Individual Taxpayer Identification Number (ITIN) issued by the Internal Revenue Service is a 9-digit number formatted like an SSN, but with a “9” at the beginning of the number.

slightly more than 7 million nonwork Social Security cards, but in recent years SSA has greatly reduced the number it issues.¹⁹

SSA Has Made Some Progress in Addressing Weaknesses in the Enumeration Process

Our 2003 report identified improvements SSA had made in its enumeration processes, but also pointed to continued weaknesses, some of which SSA and the Congress have since addressed. We found that SSA has over the years improved document verifications and developed new initiatives to prevent the inappropriate assignment of SSNs to noncitizens. For example, SSA requires third-party verification of all noncitizen documents, such as a birth certificate, with DHS and the State Department before issuing an SSN. SSA also requires field staff to visually inspect documents before issuing an SSN. However, many field staff we interviewed at that time were relying heavily on DHS's verification and neglecting SSA's standard inspection practices, even though both were required. We found that SSA's automated system for assigning SSNs was not designed to prevent issuing SSNs if field staff bypass required verification steps. We also found that SSA has undertaken new initiatives to shift the burden of processing noncitizen SSN applications and verifying documents away from its field offices. In late 2002, SSA began phasing in a new process for issuing SSNs to noncitizens, called "Enumeration at Entry" (EAE). Through this initiative, immigrants 18 and older can visit a State Department post abroad to apply for an SSN at the same time they apply for a visa to come to the U.S. The State Department and DHS authenticate the documents and transmit them to SSA, which then issues the SSN. Also, SSA was planning to expand the program over time to include other noncitizen groups, such as students and exchange visitors. In addition, SSA established a specialized center in Brooklyn, New York, which focuses exclusively on enumeration and utilizes the expertise of DHS immigration status verifiers and investigators from SSA's Office of the Inspector General. More recently, SSA established a similar center in Las Vegas, Nevada.

At the time we did our field work for the 2003 report, SSA had not tightened controls in two key areas of its enumeration process that could be exploited by individuals seeking fraudulent SSNs: the assignment of SSNs to children under age 1 and the replacement of Social Security cards. SSA requires third-party verification of the birth records for U.S.-born

¹⁹In 1998 alone, SSA issued 128,000 nonwork SSNs, and by fiscal year 2005 the number was fewer than 15,000.

children age 1 and over, but calls only for a visual inspection of birth documents for children under age 1. In our field work, we found that this remains an area vulnerable to fraud. Working undercover and posing as parents of newborns, our investigators were able to obtain two SSNs using counterfeit documents. Since then the IRTPA was enacted and requires SSA to independently verify any birth documents other than for purposes of enumeration at birth.

Until the passage of the IRTPA, SSA's policy allowed individuals to obtain up to 52 replacement cards per year, leaving it vulnerable to misuse. While SSA requires noncitizens applying for a replacement SSN card to provide the same identity and immigration documents as if they were applying for an original SSN, SSA's requirements for citizens were much less stringent. Individuals could obtain numerous replacement SSN cards with relatively weak or counterfeit documentation for a wide range of illicit uses, including selling them to noncitizens.

Our 2003 report contained six recommendations to SSA. As shown in table 1 below, SSA has implemented all, except one concerning enhancement of its Modernized Enumeration System to prevent issuance of SSNs without use of required verification procedures. In the interim, however, SSA now requires staff to use a software tool that documents verification procedures. Although SSA has implemented our recommendation concerning an evaluation of the Enumeration at Entry program, the results of the evaluations prompted the SSA's Office of Inspector General and Office of Quality Assurance and Performance Assessment to recommend several additional measures to correct errors during the early implementation of the program.

Table 1: Status of GAO's October 2003 Recommendations to the Commissioner of Social Security to Strengthen the Integrity of SSA's Policies and Procedures for Enumerating Noncitizens

GAO recommendation	Status
<p>1 Field office document verification: Perform systematic reviews of field office compliance with verification requirements for enumerating noncitizens and to identify corrective actions needed to ensure maximum effectiveness of this process.</p>	<p>Implemented SSA's Inspector General has completed such a review and SSA revised guidance on verification of documents.</p>
<p>2 Verification procedures: Enhance the Modernized Enumeration System to prevent staff from issuing SSNs without following required verification procedures.^a</p>	<p>Not implemented SSA has yet to fund this effort. In the interim, however, SSA now requires staff to use a software tool that documents verification procedures.^b</p>
<p>3 Enumeration at Entry (EAE) procedures: Develop and implement a structured evaluation plan to assess the initial operation of the EAE initiative and identify SSA, State Department, and DHS business process changes needed to expand EAE to additional groups of noncitizens.</p>	<p>Implemented SSA has conducted such an evaluation and identified several changes needed.^c SSA and Department of State officials agreed to explore expansion of EAE to three additional nonimmigrant groups.^d</p>
<p>4 Enumeration centers: Evaluate the Brooklyn Social Security Card Center to assess the feasibility of expansion to other locations and interaction with SSA's other initiatives to improve the integrity of SSN issuance to noncitizens.</p>	<p>Implemented SSA completed such evaluations and opened an additional enumeration center in Las Vegas.</p>
<p>5 Verification of birth records: Revise its requirement for verification of the birth records of U.S. citizens who apply for an SSN to require third-party verification of the birth records of children under age 1.</p>	<p>Implemented Requirement put in place in accord with IRTPA. SSA now verifies birth records of all individuals seeking an original or replacement Social Security card.</p>
<p>6 Replacement cards: Reassess SSA's policies for issuing replacement Social Security cards and develop options for deterring abuse in this area.</p>	<p>Implemented Requirement put in place in accord with IRTPA. SSA now limits replacement cards to 3 annually and 10 over a lifetime.</p>

Source: GAO, *Social Security Administration: Actions Taken to Strengthen Procedures for Issuing Social Security Numbers to Noncitizens, but Some Weaknesses Remain*, GAO-04-12 (Washington, D.C.: Oct. 15, 2003) p. 24-25, and the Social Security Administration.

^aSSA's Modernized Enumeration System is an automated computer system for assigning SSNs.

^bSSA is planning the recommended enhancements to this system as part of its efforts to redesign its system for issuing SSNs, which is expected to take several years. This project has not yet been funded, however. In the interim, SSA requires staff to use a computer program that records the verification procedures staff use when processing an application for an SSN.

^cBoth SSA's Office of Quality Assurance and Performance Assessment and SSA's Office of Inspector General (IG) issued reports concerning the EAE process. The first of these reports noted higher error rates in the EAE program compared with the regular enumeration process and both made specific recommendations for improving the EAE process. See SSA, Office of the Inspector General, *Audit Report: Assessment of the Enumeration at Entry Process*, A-08-04-14093, (Baltimore, Maryland: March 15, 2005) and SSA, Office of Quality Assurance and Performance Assessment, Office of Statistics and Special Area Studies, *Study of the Enumeration at Entry Process: Final Report* (Baltimore, Maryland: June 2005).

⁴State Department and SSA officials discussed the inclusion of nonimmigrants admitted with an E, H, or L classification. Noncitizens with an E classification include treaty traders, treaty investors, and treaty traders in a specialty occupation. Noncitizens with an H classification are workers in a specialty occupation (H-1B), registered nurses (H-1C), agricultural workers (H-2A), non-agrarian seasonal workers (H2B), and trainees (H-3). Noncitizens with an L classification are intracompany transferees.

New Procedures for Awarding Benefits to Non-Citizens Protect Against Abuse and Improve Coordination with Other Countries

To determine whether noncitizens are eligible for SSA benefits, SSA has implemented new procedures including some required by the SSPA. The SSPA tightened restrictions on payment of benefits to noncitizens who are not authorized to work. Generally both citizens and noncitizens in the U.S. accrue credits through paying Social Security payroll taxes. Noncitizens must also have authority to work in the U.S., and be lawfully present in the U.S. at the time they apply for benefits.²⁰ Under some circumstances, unauthorized workers may receive benefits based on work credits they accrued while working without an immigration status permitting employment in the U.S., with a nonwork SSN or without a valid SSN during their work years. If noncitizens later receive a valid SSN and become eligible to work, they can show SSA their wage records and request credit for earnings from prior unauthorized work.²¹ If they establish legal immigration status, they may then receive benefit payments based on the earlier periods of unauthorized work. There are some exceptions for the lawful presence requirement, such as for workers covered under the terms of a totalization agreement. However, our work shows that SSA's processes for entering into totalization agreements have been largely informal and do not mitigate potential risks.

SSPA Provisions Tighten Restrictions on Benefits to Unauthorized Workers

The enactment of the SSPA in 2004 tightened the eligibility requirements for paying Social Security benefits to noncitizens. Before SSPA, noncitizens who worked in covered employment could in some circumstances eventually earn SSA benefits without obtaining a work-authorized SSN. If noncitizens had no SSN, but were entitled to benefits,

²⁰SSA pays benefits to a claimant/beneficiary who is present in the U.S. and who is a U.S. citizen, U.S. national, or lawfully present alien as determined by DHS. This includes claimants in the U.S. filing for benefits under a totalization agreement.

²¹SSA maintains records of earnings reported under an invalid name or SSN that cannot be assigned to a unique worker's account in its Earnings Suspense File (ESF). SSA's ESF contained approximately 246 million wage items totaling about \$463 billion in wages related to tax years 1937 through 2002 that could not be posted to individual earnings records. For more information, see GAO, *Social Security: Better Coordination among Federal Agencies Could Reduce Unidentified Earnings Reports*, [GAO-05-154](#) (Washington, D.C.: Feb. 4, 2005).

SSA would assign a nonwork SSN so their Social Security eligible earnings could be recorded. SSPA provides that in order to accrue benefits noncitizens with a SSN issued on or after January 1, 2004 must have authorization to work in the U.S. at the time that the SSN is assigned, or at some later time.²² Without work authorization, noncitizens and their dependents or surviving family members cannot receive any benefits. See table 2 below.

Table 2: Criteria for Payment of Social Security Benefits to Noncitizens Before and After SSPA

When a noncitizen worker was assigned an original SSN	
Before January 1, 2004	On or after January 1, 2004
Noncitizen must have an SSN (nonwork or work-authorized) to be eligible for benefits.	Noncitizen must have a work-authorized SSN at the time he/she is assigned the SSN or later to be eligible for benefits. ^a
If the noncitizen had a nonwork SSN, Social Security eligible earnings could be recorded.	SSA no longer assigns a nonwork SSN for the purpose of recording earnings and paying benefits.

Source: GAO analysis of SSPA.

Note: Unless noncitizen workers meet these criteria, benefits based on their earnings records will not be paid, including old age, survivor, and disability benefits.

^aSSPA exempts noncitizens with DHS status as business visitors and crewmen on certain vessels or aircraft.

²² The SSPA also allows business visitors or crewmen lawfully admitted temporarily into the U.S. to earn quarters of coverage. A crewman includes those serving in a capacity required for normal operations on board a vessel or aircraft, who departs from the U.S. or Guam with the vessel or aircraft on which he or she arrived.

Nonetheless to receive benefits while in the U.S., noncitizens must be legally present in the U.S. under immigration law regardless of when they were first assigned an SSN.²³ Previously if noncitizens accrued Social Security benefits and resided outside the U.S., they could under some circumstances receive those benefits without ever having been legally present in the U.S.²⁴ Since SSPA required all noncitizens originally assigned an SSN on or after January 1, 2004, to have a work authorized SSN to accrue benefits, those living outside the country must also obtain a work-authorized SSN. Obtaining a work-authorized SSN requires both lawful presence in the U.S. and an immigration status permitting work in the U.S.

However, a noncitizen may receive benefits outside the U.S. if he or she is a citizen of a country that has a social insurance or pension system that pays benefits to eligible U.S. citizens residing outside that country or is a worker covered under a totalization agreement. A noncitizen not meeting any of these exceptions will have his or her benefits suspended beginning with the seventh month of absence.²⁵

²³While there are few restrictions on payments once a worker becomes entitled to benefits, SSA prohibits the payment of benefits to certain individuals, including those residing in certain countries, including Cambodia, Cuba, and North Korea; noncitizens residing in the U.S. unlawfully; and, in some cases, noncitizens residing outside the U.S. for more than 6 months at a time. Other individuals that may not be entitled to benefits include individuals confined to a jail, prison, or certain other public institutions for commission of a crime and most individuals removed from the United States (i.e., deported).

²⁴This also applies in cases when a noncitizen resides in a country with a totalization agreement or a country that has a social insurance or pension system that pays benefits to eligible U.S. citizens residing outside that country. This includes Belgium, Canada, Mexico, Sweden, Switzerland, and the United Kingdom.

²⁵Dependents and survivors of noncitizens may also be able to receive benefits. For instance, those who lived in the U.S. for at least 5 years previously (lawfully or unlawfully), and had a family relationship with the worker during that time may qualify for benefits. There are similar exceptions for dependents and survivors such as those for the noncitizen worker listed above.

Totalization Agreements with Foreign Countries Can Be Mutually Beneficial, but Can Increase SSA Costs

In general, totalization agreements between the U.S. and other countries provide mutually beneficial business, tax and other incentives to employers and employees, but the agreements also expose both countries to financial costs and risk. Our recent reports on totalization agreements identified two fundamental vulnerabilities in SSA's existing procedures when entering into totalization agreements.²⁶ First, our analysis demonstrated that the agency's actuarial estimates for the number of foreign citizens who would be affected by an agreement (and thus entitled to U.S. Social Security benefits) have overstated or understated the number, usually by more than 25 percent. As a result, depending on the size of the foreign population covered by an agreement, the actual cost to the Social Security trust fund from a given agreement could be greater or smaller than predicted. In response to our recommendation to improve its process for projecting costs to the trust fund from totalization agreements, SSA responded that it cannot eliminate all variations between projected costs and subsequent actual experience.

Secondly, our work has shown that SSA's processes for entering into these agreements have been largely informal and have not included specific steps to assess and mitigate potential risks to the U.S. Social Security system. For example, we found that SSA's procedures for verifying critical information such as foreign citizens' earnings, birth, and death data were insufficient to ensure the integrity of such information. Inaccurate or incomplete information could lead to improper payments from the Social Security trust fund. In response to our recommendations, SSA developed several new initiatives to identify risks associated with totalization agreements. For example, SSA developed a standardized questionnaire to help the agency identify and assess the reliability of earnings data in countries that may be considered for future totalization agreements. In addition, SSA is conducting numerous "vulnerability assessments" to detect potential problems with the accuracy of foreign countries' documents. SSA is also exploring a more systematic approach for independently verifying foreign countries' data, such as the use of computer matches. (For a summary of the status of recommendations, see table 3 below.)

²⁶GAO, *Social Security Administration: A More Formal Approach Could Enhance SSA's Ability to Develop and Manage Totalization Agreements*, GAO-05-250 (Washington, D.C.: Feb. 28, 2005) and *Proposed Totalization Agreement With Mexico Presents Unique Challenges*, GAO-03-993 (Washington, D.C.: Sept. 30, 2003).

Table 3: Status of February 2005 GAO Recommendations to the Commissioner of Social Security Concerning Totalization Agreements

GAO recommendation	Status
1 Standardized protocols: Develop a standardized set of protocols that integrate and formalize the various initiatives for verifying foreign countries' data when negotiating future agreements.	Not implemented. Although SSA has not developed a standard set of formal protocols, it has developed a standardized questionnaire to help the agency identify and assess the reliability of earnings data in countries that may be considered for future totalization agreements.
2 Verifying eligibility: Explore cost-effective ways to improve the current processes for verifying beneficiaries' initial and continuing eligibility for benefits. Such improvements may include enhancing the scope of the validation studies and assessing ways to independently verify the results of questionnaires. Other potential improvements may include enhanced efforts to explore the potential for developing a mechanism—either manual or electronic—to independently verify the death of all foreign beneficiaries living abroad, including totalized beneficiaries.	Not implemented. SSA is, however, exploring a more systematic approach for independently verifying foreign countries' data, such as the use of computer matches.

Source: GAO, *Social Security Administration: A More Formal Approach Could Enhance SSA's Ability to Develop and Manage Totalization Agreements*, GAO-05-250 (Washington, D.C.: Feb. 28, 2005), p. 16, and SSA.

Concluding Observations

Laws and policies are in place to ensure that SSA treats noncitizens fairly in the issuance of SSNs, the provision of benefits, and in cases where they are covered under the terms of totalization agreements. Recent legislation and revisions to SSA policies represent some progress in these areas.

While SSA is making progress in improving the program's integrity by strengthening its procedures for verifying documents and coordinating with other agencies and foreign governments, opportunities remain for additional progress. SSA plans further enhancements to the Enumeration at Entry program in order to protect against errors, fraud and abuse. In addition, a more systematic approach to verifying data from other countries with which we have totalization agreements can help ensure proper payments of benefits and prompt notice of the death of beneficiaries. SSA will, however, continue to face challenges in its dealings with noncitizens. Changes in immigration laws and shortcomings in the enforcement of those laws make it difficult for SSA to identify noncitizens who are eligible for SSNs and for benefit payments. Continued attention to these issues by both SSA and the Congress is essential to ensure that noncitizens receive benefits to which they are entitled and the integrity of the Social Security program is protected.

Mr. Chairman and Members of the Subcommittee, this concludes my prepared statement. I'd be happy to answer any questions you may have.

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Appendix I: Totalization Agreements

Table 4: Existing Totalization Agreements between the US and Other Countries and the Year the Original Agreements Became Effective

Country	Effective Year of Agreement
Italy	1978
Germany	1979
Switzerland	1980
Belgium	1984
Canada	1984
Norway	1984
United Kingdom	1985
Sweden	1987
France	1988
Spain	1988
Portugal	1989
Netherlands	1990
Austria	1991
Finland	1992
Ireland	1993
Luxembourg	1993
Greece	1994
Chile	2001
South Korea	2001
Australia	2002
Japan	2005

Source: SSA

Note: In 2004, the U.S. and Mexico signed a totalization agreement, which must be sent to and reviewed by legislative bodies in both countries before it becomes effective. Discussions are underway concerning possible totalization agreements with Denmark and the Czech Republic.

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