



# CITY OF ATLANTA

**LESLIE WARD**  
City Auditor  
*lward1@atlantaga.gov*

**CITY AUDITOR'S OFFICE**  
68 MITCHELL STREET SW, SUITE 12100  
ATLANTA, GEORGIA 30303-0312  
(404) 330-6452  
FAX: (404) 658-6077

**AUDIT COMMITTEE**  
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**TO:** Janice Davis, CFO; E. Ray Zies, Controller; and Benita C. Ransom, DHR  
Commissioner

**CC:** Felita Jones, Information Systems Manager

**FROM:** Leslie Ward

**DATE:** March 3, 2005

**SUBJECT:** Payroll Audit and Social Security Numbers—Interim Audit Report

This memo summarizes the audit work my staff has performed on social security number (SSN) and employee verification, and also provides guidance on the corrective action the city should begin implementing to resolve the high number of errors found. Implementing our recommendations now may help the city reduce or avoid future penalties from the Internal Revenue Service (IRS).

As part of the payroll audit, my office submitted a list of present and past city employees to the Social Security Administration (SSA) for name and SSN verification. A total of 24,784 records were submitted. The SSA found that 1,534 city records (1,505 individuals) did not match their records. For each mismatch, the SSA assigned a verification code which identified the cause of the discrepancy. The SSA found:

Number of Records	Reason	SSA Verification Code
518	Name did not match the SSN	5
451	Gender did not match	2
430	Date of birth did not match but the name and gender did	3
119	SSA had a different SSN on file which the SSA provided	*
10	SSN not on file, the SSN was never issued to anyone	1
6	Name matched but the date of birth and gender did not	4

The individuals are listed on schedule 1. Please let me know if you would like these files electronically. The records with the verification code "\*" appear to be a result of data entry errors, as the SSN on file with the city only varies by one or two digits from the SSN on file with the SSA.

We used the SSA verification results to perform additional audit work. We focused on records in which the name did not match the SSN (code 5, 518 records), and records in which the SSN had not been issued (code 1, 10 records).

For the 10 records in which the SSN had not been issued (code 1), we reviewed each individual's personnel file to determine why the SSN of these employees did not match the SSA's records. We found the following:

- Two records listed the individual's taxpayer identification number (ITIN) as their social security number. The IRS issues ITINs to individuals who are required to have a U.S. taxpayer identification number but do not have, nor are they eligible to obtain, a SSN.
- Two records had an incorrect SSN. A copy of the social security card was in the file but the number was transcribed incorrectly on personnel forms.
- Two records had incorrect SSNs due to data entry errors in PeopleSoft.
- We could not verify SSN accuracy for the remaining four records since the records were either destroyed, could not be located, or did not contain a copy of the social security card.

In December 2004, we verified the identities of 310 city employees. These employees were selected on the basis of a complex risk analysis that identified discrepancies in payroll records. In the sample, we verified 143 employees<sup>1</sup> who the SSA identified as having the following discrepancies (some employees had more than one discrepancy):

- 136 employees with records in which the name did not match the SSN (code 5). We verified all employees with this type of problem who were current employees as of July 2004. Of the 136 employees, we identified 81 who had different names in the city files than what the SSA showed in their files. Of these 81 employees, 66 were due to maiden names and 15 had other problems with their name such as having their first name listed as their last name, or a different first or last name on file with the city. We could not identify the cause of the mismatch with the remaining 55 employees.
- Five employees with records in which the gender did not match (code 2)
- One employee with a record in which the SSN had not been issued (code 1)
- One employee with a record in which the SSA had a different SSN on file (code \*)

These employees and the discrepancies identified by my office are shown on schedule 2. Please let me know if you would like this file electronically.

Furthermore, one employee whom the SSA identified as having a SSN that did not match his name (code 5) quit rather than have us verify his SSN. The Department of Law ran his name through Westlaw and found that the SSN he was using was associated with four other names, but not his. The Berwyn Group investigated this SSN and confirmed that the SSN was being used by multiple individuals, including the former city employee. The Berwyn Group also identified another SSN (code 5) that was used by a former city employee as well as by multiple other people. We believe that these two former city employees provided fraudulent SSNs on their city application forms.

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<sup>1</sup> Of the 310 employees, 149 had SSN problems and 143 of those were verified. The six employees not verified included one employee we did not attempt to verify, one employee who quit as a result of the verification process, and four employees who were terminated shortly before my office did the verification work.

Lastly, we submitted to the Berwyn Group the 518 records of names that did not match the SSN (code 5). The Berwyn Group matched these records against its national master death file. From this list, the Berwyn Group identified 15 records that matched their death file. From the results provided by the Berwyn Group and our own review of personnel records we found:

- A former city employee who was using the SSN of his deceased mother. Although the employee provided a copy of his social security card as part of the employment eligibility verification document review process (I-9), he listed his mother's SSN on all other personnel records. The city did not identify the discrepancy and entered his mother's SSN in the human resource and payroll records.
- Nine city records had names listed incorrectly, including two records that listed the estate as the person's name.
- Three records in which the SSN was entered incorrectly.
- We could not verify the accuracy of the SSN for the remaining two records since we could not locate the personnel file, or the file did not contain a copy of the social security card.

### **Recommendations**

We recommend the city contact all current employees who have verification codes "5" or "\*\*", request that they complete IRS form W-9 (or a substitute as long as it is substantially similar to form W-9), and submit this information to the IRS as required in IRS publication 1586. The city can be subject to a \$50 penalty for **each** incorrect SSN submitted to the IRS. IRS publication 1586 provides instructions on how the city should contact employees regarding incorrect social security numbers to avoid the penalties.

To prevent future SSN discrepancies from occurring, we recommend that the city use the SSA's Employee Verification Service (EVS) to verify that the name and SSN provided by new hires match the SSA's records. Additionally, the city should not allow employees to change their name in personnel or payroll records until they provide a copy of the new social security card with the updated information. EVS offers several verification methods based on the number of employees (see the attached booklet from the SSA). To use the EVS services, you will need the city's EVS identification number (DBYZ) and the city's employer identification number.

Finally, the city should conduct an internal quality review during the hiring process to ensure that the SSN submitted by future city employees on personnel documents, and which is eventually entered in PeopleSoft, matches the number listed on the individual's social security card.

Attachments: Schedule 1 – CONFIDENTIAL  
Schedule 2 – CONFIDENTIAL  
Employee Verification Services (EVS)