

GAO Highlights

Highlights of [GAO-20-492](#), a report to the Committee on Finance, U.S. Senate.

Why GAO Did This Study

Employment-related identity fraud poses risks to IRS's ability to collect taxes owed on wages and to SSA's ability to correctly calculate and manage Social Security benefits.

GAO was asked to review employment-related identity fraud. This report examines (1) the potential scope of employment-related identity fraud, including what IRS knows about this type of fraud and what GAO could determine by analyzing Department of Health and Human Services' National Directory of New Hires (NDNH) and IRS data; (2) SSA and IRS actions to detect and deter this fraud as well as notify victims; and (3) SSA and IRS's collaboration on the issue.

GAO analyzed 3 months of 2016 NDNH wage data and 2016 IRS taxpayer data to identify potential employment-related identity fraud. GAO also reviewed relevant IRS and SSA documentation and interviewed agency officials.

This is a public version of a sensitive report that GAO issued in January 2020. Information that SSA deemed sensitive has been omitted.

What GAO Recommends

GAO is making 12 recommendations to IRS and SSA, including that IRS assess the feasibility of adding checks to its review of employment-related identity fraud, and assess the costs and benefits of expanding enforcement; and that both agencies improve the implementation of their MOU. SSA agreed and IRS neither agreed nor disagreed with the recommendations.

View [GAO-20-492](#). For more information, contact Jessica Lucas-Judy at (202) 512-9110 or LucasJudyJ@gao.gov, or Rebecca Shea at (202) 512-6722 or SheaR@gao.gov.

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EMPLOYMENT-RELATED IDENTITY FRAUD

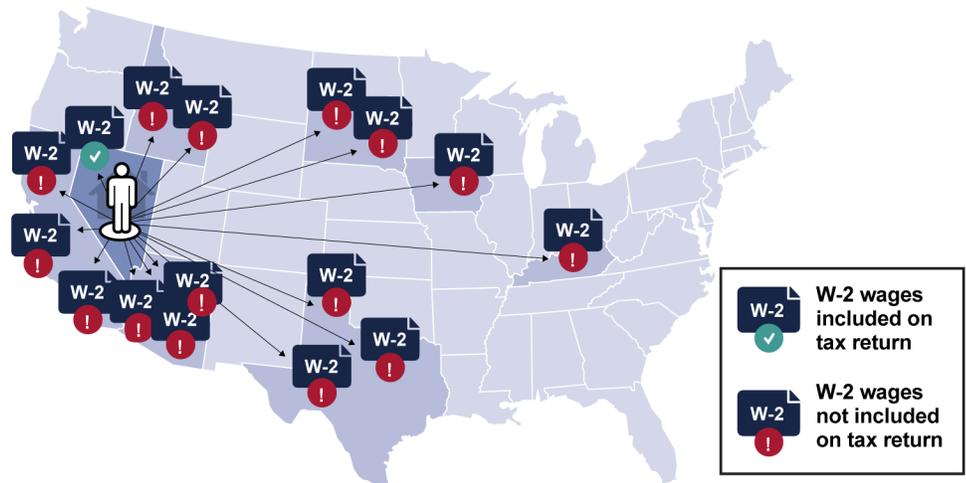
Improved Collaboration and Other Actions Would Help IRS and SSA Address Risks

What GAO Found

Employment-related identity fraud occurs when people use a name or Social Security number (SSN) other than their own to get a job. People may do this if they are not authorized to work in the United States or are trying to avoid child support payments, among other reasons. Victims may face Internal Revenue Service (IRS) enforcement actions based on wages earned by fraudsters. IRS identified more than 818,000 cases in 2018, but this included only one form of employment-related identity fraud—mismatches between the identity listed on the Form W-2, Wage and Tax Statement (W-2) and the identity on the tax return. The true scope of employment-related identity fraud is unknown.

GAO reviewed additional forms of this fraud and identified 1.3 million SSNs that for 2016 had both (1) characteristics associated with employment-related identity fraud; and (2) wages reported by the employer on a W-2, but not reported by the employee on a tax return. This includes about 9,000 individuals whose employers reported W-2s in five or more states, but who did not include them all on their tax return (see figure).

Example of a Social Security Number Potentially Used for Employment-Related Identity Fraud



Source: GAO analysis of U.S. Department of Health and Human Services National Directory of New Hires and Internal Revenue Service data. | [GAO-20-492](#)

The Social Security Administration (SSA) processes W-2s before sending W-2 data to IRS for enforcement purposes. SSA has developed processes to detect some inaccurate W-2s and notify potential fraud victims. IRS uses W-2 information to deter some potential fraudsters, but has not assessed the costs and benefits of expanding its enforcement efforts to include certain individuals who may underwithhold taxes or not file returns. Doing so could help IRS determine if such an effort would enable the agency to collect additional revenue.

SSA and IRS entered into a memorandum of understanding (MOU) to collaborate to exchange wage data. However, they have not established performance goals and measures for the MOU, implemented the MOU's monitoring provisions, or clearly defined the data elements they exchange.