



In Brief

Pseudo Social Security Numbers for Foreign Nationals Report Number M-05-03, December 5, 2005

Why We Did This Study

We received a complaint that employees at the Smithsonian Tropical Research Institute (STRI) were using what appeared to be fraudulent Social Security Numbers (SSN) to open accounts with the Agriculture Federal Credit Union. These SSNs are in the 800 series—a series that had not formerly been used by the Social Security Administration. Our review determined whether employees were using fraudulently obtained identification numbers, and examined the construction of STRI employee identification numbers.

What We Recommended

We recommended that STRI cease issuing pseudo SSNs to employees, and that the Institution work with appropriate parties to resolve the conflicts that could arise from issuing SSNs that may be identical to those issued by the Social Security Administration.

Management agreed with our findings and recommendations, and has notified the National Finance Center of the need to create an alternate means of constructing employee identification numbers. The National Finance Center is also pursuing the issue with the Office of Personnel Management.

What We Found

More than 123 of the foreign national employees employed by STRI today, who are paid through Tecnasa (a Panamanian company), have accounts with the Agriculture Federal Credit Union that were established with pseudo SSNs. Additionally, eight employees who are paid by the National Finance Center also have SSNs in the 800 series. An unknown number of retired employees may also have U.S. bank accounts established with pseudo SSNs. We determined that pseudo SSNs used to open accounts with the Agriculture Federal Credit Union were not fraudulently obtained, but were created by STRI as a way to process payroll for foreign national employees who did not have nine-digit SSNs.

STRI began using pseudo SSNs over 30 years ago for its Panamanian employees, who were not U.S. citizens or did not have SSNs. At that time, STRI created an SSN for STRI employees in the 800 series to complete the required nine-digit data fields in the (then) Institution's in-house payroll system. Since that time STRI has switched from an in-house payroll system to the National Finance Center and Tecnasa payroll systems. Currently 374 STRI employees are paid by the National Finance Center, which uses the pseudo SSNs for pay purposes, and 335 are paid by Tecnasa, which does not.

Recently, the Social Security Administration began issuing SSNs in the 800 series that are or will be identical to those of STRI employees whose payroll is processed through the National Finance Center. Consequently, the Institution will need to identify a different solution for processing the payroll of its foreign national employees. For example, employees could be required to obtain an Individual Taxpayer Identification Number from the U.S. Internal Revenue Service, data which would satisfy the nine-digit field required by the National Finance Center system. A similar arrangement may be required to accommodate retired STRI employees who were issued pseudo SSNs and have active accounts with the Agriculture Federal Credit Union.

For additional information or a copy of the full report, contact the Office of the Inspector General at (202) 275-2244 or visit <http://www.si.edu/oig>



Office of the Inspector General

Date December 5, 2005

To James D. Douglas, Director, Office of Human Resources

Cc Alice C. Maroni, Chief Financial Officer
John E. Huerta, General Counsel
Georgina de Alba, Associate Director for Administration and Finance,
Smithsonian Tropical Research Institute
Andrew Zino, Comptroller

From *Debra S. Ritt*
Debra S. Ritt, Inspector General

Subject Management Advisory Report on Pseudo Social Security Numbers for Foreign Nationals at the Smithsonian Tropical Research Institute, Report Number M-05-03

SUMMARY

Over 30 years ago, the Smithsonian Institution began issuing pseudo social security numbers (SSNs) beginning in the 800 series to foreign national employees working at the Smithsonian Tropical Research Institute (STRI) in Panama. These numbers were needed to complete the required nine-digit data fields in the (then) Institution's in-house and now National Finance Center's payroll processing systems to ensure that employees were paid.

We could not determine why these specific numbers were chosen, but the U.S. Social Security Administration is now issuing SSNs in the 800 series. Currently, eight STRI employees are being paid through the National Finance Center with pseudo SSNs, and 123 foreign national STRI employees have used these pseudo SSNs to open bank accounts in the United States. We do not have a count of retired STRI employees who may also have bank accounts in the United States that were established with pseudo SSNs. We recommend that the Institution explore solutions to resolve the potential conflicts that may exist between the use of pseudo and actual SSNs and cease issuing pseudo SSNs to STRI employees.

BACKGROUND

The Office of the Inspector General (OIG) received a complaint from the Agriculture Federal Credit Union (AFCU), that it had received an account application from a STRI employee that appeared to contain fraudulent information. That allegation proved to be unfounded. However, during the conduct of our inquiry, the AFCU expressed concern about other STRI employees with SSNs in the 800 series who have accounts with the AFCU. AFCU believed that the Social Security Administration had not issued numbers in the 800 series and was concerned about these accounts. We contacted the Social Security Administration OIG and were advised that the agency has recently begun issuing SSNs in the 800 series.

We learned that the Institution had issued pseudo SSNs in the 800 series to foreign national STRI employees to solve a payroll problem originating more than 30 years ago. At the time, Panamanian employees of STRI, who were not U.S. citizens or did not have SSNs, were unable to have their payroll processed through the Institution's payroll system. These foreign nationals were issued a unique identifier by the Panamanian Government, known as the *cedula*, but the *cedula* did not have a sufficient number of digits to complete the nine-digit SSN field required for the payroll system interface with the U.S. Treasury system. We were not able to determine why the Institution chose the 800 series to create a nine-digit SSN for STRI employees, but the procedure that was developed and followed was to add the numbers "815-36" to each of the *cedulas*. Over time, fewer numbers were needed to meet the required nine-digit field as the length of the *cedulas* expanded, but the pattern was to start with an "8" and exclude the last digits of the "815-36" series as the need for them disappeared.

In 1987, the Institution switched from an in-house payroll system to the National Finance Center (NFC). We were advised that the Institution's Office of Human Resources continued to follow the practice of issuing pseudo SSNs beginning with "8," consistent with written guidelines published by the NFC at that time. For those foreign national employees who did not have SSNs, the NFC reportedly advised that a temporary pseudo SSN be created using numbers in the 800 series to begin the SSN.¹ The Office of Human Resources continued to add digits to the front of the *cedula*, beginning with "8" to allow foreign national employees to have the required number of digits in the payroll data field to receive payments.

Only 39 of the 374 current STRI employees are paid by the NFC.² Of the 39 employees paid through the NFC, 8 have SSNs beginning with the 800 series. The remaining 335 STRI employees are paid through *Tecnasa*, a Panamanian company. None of those employees are using the pseudo SSNs for pay purposes. However, according to STRI officials, 123 current Panamanian staff members have accounts with the AFCU that were established with the pseudo SSNs.³ STRI officials reported there may be retired Panamanian STRI employees who have active accounts with the AFCU that were opened with pseudo SSNs. These officials, however, do not have access to that data.

Because some STRI employees may have pseudo SSNs that are or will be identical to SSNs issued by the Social Security Administration, the Institution will need to identify a different solution for processing the payroll of these employees. For example, employees could be required to obtain an Individual Taxpayer Identification Number from the U.S. Internal Revenue Service, data which would satisfy the nine-digit field required by the NFC system. A similar arrangement may be required to accommodate retired STRI employees who were issued pseudo SSNs and have active accounts with the AFCU.

¹ It also advised that the 900 series should be used if getting an SSN was going to take an extended period of time.

² On January 1, 2000, following the end of the Canal Zone treaty with Panama, Panamanian national employees were required to be paid under Panamanian law, which is reportedly inconsistent with U.S. Treasury policies.

³ Officials within STRI's Office of Human Resources currently assign pseudo SSNs to Panamanian staff members who wish to establish accounts with the AFCU.

RECOMMENDATIONS

We recommend that the Office of Human Resources:

1. Collaborate with the Office of the Comptroller and the Office of the General Counsel to identify the full implications of using pseudo SSNs and determine the best course of action for resolving potential conflicts.
2. Direct the STRI Office of Human Resources to immediately cease issuing pseudo SSNs to employees.

MANAGEMENT COMMENTS

Management officials provided formal written comments to our draft report on November 25, 2005. Management agreed with the factual findings in the report and generally concurred with our analyses and recommendations. STRI no longer issues pseudo SSNs to employees to establish bank accounts with AFCU. The Office of Human Resources is also engaged in dialogue with the NFCU regarding the need to establish alternative identification numbers, but noted that until the National Finance Center stops requiring a social security number or pseudo social security number to pay employees – a requirement imposed by the Office of Personnel Management – the Institution will continue to issue pseudo social security numbers to foreign nationals hired to perform work outside the United States.

Smithsonian management has notified the National Finance Center of the need to create an alternative means of constructing employee identification numbers, and the National Finance Center is pursuing the issue with the Office of Personnel Management. The full text of management's comments is included in Appendix A.

OFFICE OF THE INSPECTOR GENERAL RESPONSE

Management's comments and proposed actions are responsive to our recommendations. We will keep this advisory open, however, and ask that the Office of Human Resources report to us the results of its dialogue with the National Finance Center.

Appendix A. Management Comments



Smithsonian Institution

Memo

Office of Human Resources

Date: November 25, 2005

To: Debra S. Ritt
Inspector General, OIG

From: James D. Douglas
Director, OHR 

Subject: Use of Pseudo-Social Security Numbers

Thank you for your draft advisory report (M-05-03) regarding the use of pseudo Social Security numbers by foreign nationals in the employ of the Smithsonian Institution. In response to your memo, I offer the following comments.

- The Report is accurate regarding the history of the Smithsonian's use of pseudo Social Security numbers for payroll purposes. Our investigation of the facts of the case denotes the following additional information. Following discussion with a representative from the Agriculture Federal Credit Union (AFCU), their original concern appears to stem from the requirement that American based financial institutions must be able to verify the identity of depositors. This requirement is drawn from the Patriot Act of 2001. Presently AFCU identifies its depositors by the use of the Social Security number. Also, OHR has identified a total of nine Smithsonian employees with pseudo Social Security numbers, 8 Federal and 1 Trust, who are presently being paid through the National Finance Center's payroll system. All nine employees were issued pseudo numbers prior to the issuance of the draft Report. We have not substantiated the statement that 123 Foreign National STRI employees have used pseudo Social Security numbers to open bank accounts in the United States.
- We concur with the two proposed recommendations with the following caveat: OHR must be able to issue a pseudo Social Security number in the event the Smithsonian hires a foreign national to perform work outside the United States if the individual is to be paid through the National Finance Center. The reason for this caveat is that at present NFC requires a social security number (or pseudo number) to generate payment. This requirement is based on a requirement of the U.S. Office of Personnel Management. Until such time that OPM authorizes NFC to modify this data edit requirement, Smithsonian will be obligated to use a pseudo number so that our employees can be paid through the NFC payroll system. STRI has ceased to assigned

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Appendix A. Management Comments (continued)

pseudo Social Security numbers to their employees for the purpose of establishing an account with AFCU.

- OHR has taken the following action steps:

1. OHR has notified the National Finance Center of the need to create an alternative means of constructing employee identification numbers for payroll processing. NFC is aware of the Social Security Administration's issuance of new numbers beginning with "8" and of this impact on the use of pseudo numbers by NFC and their users. NFC has placed the question to OPM about the use of alternative identification numbers for payroll and personnel record keeping purposes. NFC has informed the Smithsonian that as of Wednesday, November 23, 2005, they have not yet received a response from OPM. Until OPM responds, NFC is reluctant to establish any secondary employee identification means. OHR will continue to follow up with NFC regarding this critical need. Currently, STRI has one open vacancy that if filled, would require the assignment of a pseudo Social Security number.

2. OHR has established a dialogue with AFCU to determine whether AFCU may be able to accept another identification number if it can be easily verified by them. Identification numbers that might be usable include driver's license numbers, tax identification numbers, or some form of citizenship identification number issued by a foreign government that could be verified. This dialogue is ongoing as AFCU is interested in maintaining the current accounts of our Panamanian employees as well as being able to establish new accounts and remain in compliance with the Patriot Act. OHR will continue to pursue with AFCU the development of alternative identification means to enable our Panamanian employees to open and maintain credit union accounts with the AFCU.

I have tasked Mr. J.B. Weilepp to serve as OHR's point of contact regarding the resolution of this issue. He can be reached on (202) 275-1052 or weilejb@si.edu. Please let me know if you require any additional information in this matter.