

# A Message from the Commissioner

2005 has been a memorable year for the Social Security Administration. The Agency celebrated its 70<sup>th</sup> anniversary in August. Created in 1935, the program has helped literally millions of Americans - often at the most vulnerable times in their lives. Over the past 70 years, Social Security has become a mainstay of American life and for most Americans, it is the nearest and most familiar representative of the Federal government. The Social Security programs provide a base of economic stability for retirees and disabled workers and their families and for the survivors of deceased workers. The Agency also makes Supplemental Security Income (SSI) payments to the Nation's most financially vulnerable citizens. At Social Security, we understand that every payment, every application, every Social Security number represents a person - someone whose life will be affected by the work we do and how well we do it.



As we reflect on the history and accomplishments of the Social Security Administration over the last seven decades, I believe it is important to face the future by building on our achievements while also facing our challenges. I am pleased to present the Social Security Administration's Fiscal Year (FY) 2005 Performance and Accountability Report (PAR), which provides valuable insight into our performance and what we are doing to serve the public.

Our mission, **to advance the economic security of the nation's people through compassionate and vigilant leadership in shaping and managing America's Social Security programs**, is the core of our foundation. Our strategic goals - *Service, Stewardship, Solvency* and *Staff* - are planned with this mission in mind and provide the framework for our efforts. The ongoing dedication of the Agency's leadership and workforce has resulted in advancement toward reaching the Agency's four strategic goals.

**To deliver high-quality, citizen centered service.** Social Security is committed to providing the type of service that the American people expect and, more importantly, deserve. We have made good on our promise to implement an electronic disability claims process and I have announced for public comment a proposed new disability process that will further streamline the appeals process. Improving technology affects the way the Agency delivers service by phone and in person and Social Security has more than tripled the number of transactions that it processes over the Internet. The Agency has consistently been rated as one of the top Federal agencies in providing service to the public. Social Security's ability to respond swiftly, effectively and compassionately when delivering services to beneficiaries was recently evidenced in the aftermath of Hurricanes Katrina and Rita. The emergency procedures plan that was quickly and successfully initiated ensured that thousands of beneficiaries who were adversely affected by the devastation in the disaster areas continued to receive their monthly payments and other essential services at a time when they needed them the most.

**To ensure superior stewardship of Social Security programs and resources.** Social Security is recognized as a leader for sound and excellent financial management and our well-deserved reputation is one we take seriously and vow to continue. The Agency has again received an unqualified opinion with no reported material weaknesses in internal controls or noncompliance with laws and regulations on its consolidated financial statements from the independent auditors. We are especially proud that based upon the accomplishments of Social Security employees, our auditors have removed the only reportable condition reported in the FY 2004 audit report which was related to protection of data. Social Security has received an unqualified opinion on its financial statements since 1994. For the FY 2004 PAR, the Agency was also awarded its seventh Certificate of Excellence in Accountability Reporting from the Association of Government Accountants. Social Security holds the distinction of being the only Federal agency to receive this honor each year since the award program began.

As required by the Improper Payments Information Act of 2002, the PAR also provides information on the amount of improper payments made by the Agency, the causes behind those improper payments and the actions underway to

reduce them. Although the Government Accountability Office removed the SSI program from its high-risk list in FY 2003, we are continuing our efforts to improve our management of this program across three fronts - improved prevention of overpayments, increased overpayment detection and increased collection of debt. The Social Security Administration's stewardship responsibilities require that the Agency recover as much debt as possible. Each one percent increase in payment accuracy in our SSI program alone equates to \$375 million of error prevented. Improving the financial integrity and management of all the Social Security programs we administer is an Agency priority. The Agency is unwavering in our commitment to the President's initiative in this area and to the congressional support reflected in the law. Our responsibility as stewards of the public trust demands no less. Evidence of that commitment is reflected in my designation of "Stewardship" as one of the Agency's top four strategic goals.

**To achieve sustainable *solvency* and ensure Social Security programs meet the needs of current and future generations.** Our job at Social Security is to educate the American public about the programs and finances of Social Security as well as to serve as a resource within the Administration and for Congress and other interested groups. The Agency maintains in-house capacity of policy, actuarial and legislative expertise to respond to questions about the fiscal, distributional and administrative aspects of Social Security programs. Annual Social Security Statements are sent to workers over the age 25, providing valuable information about Social Security financial issues and enabling the readers to better plan for their financial future.

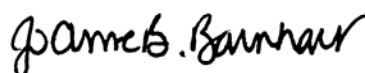
**To strategically manage and align *staff* to support our mission.** Social Security's employees take pride in administering America's most important domestic government program, knowing that they provide service to individuals at critical junctures in their lives - whether at the onset of unexpected disability, the untimely loss of a spouse or parent or making the transition from work to retirement. The Agency, through its training, development, recruitment, succession and retention programs and initiatives, is enabling Social Security's employees to attain the goal of aligning our resources to best serve the public.

In addition, Social Security has displayed its continuing resolve to adhere to other key management initiatives:

**President's Management Agenda.** Social Security continues to embrace the President's Management Agenda initiatives as ongoing management practices. We are committed to achieving immediate, concrete and measurable results that benefit the public by maximizing our service to program beneficiaries and recipients, by being effective stewards of the taxpayers' money and by operating as efficiently as possible. Social Security has maintained a green score - the highest rating possible - for its overall, current status and progress in Improved Financial Performance, Budget and Performance Integration, and Strategic Management of Human Capital, and we are proud of our "green" progress in Expanding Electronic Government, Competitive Sourcing and Eliminating Improper Payments.

**Performance and Financial Data.** We are committed to providing data that is complete and reliable to those who use it for decisionmaking. We believe the performance and financial data presented in this report are complete and reliable as outlined by the guidance available from the Office of Management and Budget (OMB). We identified no material internal control weaknesses and this report describes our continuing efforts to provide timely and useful performance information to Social Security managers, OMB and Congress. Social Security conducted training with key individuals involved in the performance data process to ensure their understanding of the documentation requirements. These efforts have resulted in improved documentation of the policies and procedures for performance measures. In addition, we have tightened access controls to our programmatic systems through the implementation of the Standardized Security Profile Project.

The Agency has evaluated its management controls and financial management systems as required by the Federal Managers' Financial Integrity Act of 1982. On the basis of our comprehensive management control program, I am pleased to certify with reasonable assurance that the Agency complies with the provisions of this Act.



Jo Anne B. Barnhart  
November 9, 2005



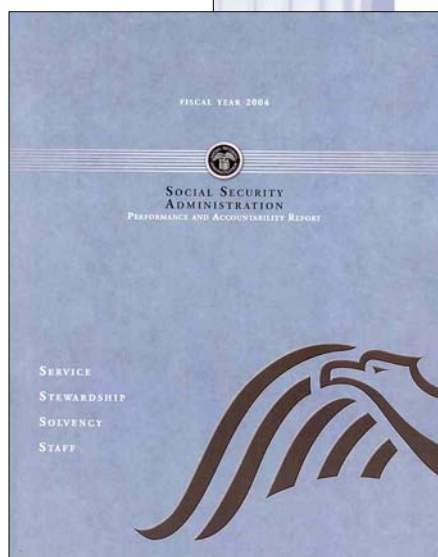
# CERTIFICATE OF EXCELLENCE IN ACCOUNTABILITY REPORTING®

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*Reinhold P. Van Driker*  
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Executive Director, AGA

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SSA's FY 2005 Performance and Accountability Report is available  
on the Internet at: [www.socialsecurity.gov/finance](http://www.socialsecurity.gov/finance)

The Management's Discussion and Analysis (MD&A) is Required Supplementary Information to the financial statements and is designed to provide a high level overview of the Agency. It provides a description of who we are, what we do and how well we meet the goals we have set.

The Overview of the Social Security Administration (SSA) section highlights SSA's mission as set forth in the Agency's Strategic Plan (ASP). This section also discusses the major programs we administer: the Old Age and Survivors Insurance and the Disability Insurance programs (commonly known as Social Security), as well as the Supplemental Security Income program, and provides a discussion of the Agency's organization.

Next, the MD&A discusses SSA's ability to achieve the four strategic goals contained in the Strategic Plan. In March 2005, the Agency provided Congress with its FY 2006 Annual Performance Plan (APP) and Revised Final FY 2005 APP, which brought the Agency's strategic goals, objectives and performance measures in line with the Strategic Plan. The Overview of Key Performance Indicators, Goals and Results section provides the Agency's progress in the context of the Government Performance and Results Act of 1993 (GPRA). The GPRA statute requires Federal agencies to develop and institutionalize processes to plan for and measure mission performance. During FY 2005, SSA used 42 distinct GPRA performance measures to manage and track Agency progress. The performance measures focus on SSA's most critical challenges and areas in need of improvement. Of the 42 performance measures, 14 were selected as Key Performance Indicators, which the Agency believes best tell the story of its efforts to address the most critical challenges. These Key Performance Indicators are discussed in general terms and indicate whether the performance targets for FY 2005 were met. All of the FY 2005 performance measures, their targeted performance and results, as well as a discussion of each measure and historical data may be found in the Performance Section.

The Performance and Accountability Report (PAR) would not be complete without providing a summary of the issues the Agency faces now and will face over the next five years, as well as the activities and strategies in place to deal with them. These challenges, found in the Agency Challenges section, are based on the Major Management Challenges currently designated by the Government Accountability Office and SSA's Office of the Inspector General. The challenges are aligned with the four strategic goals outlined in the Agency Strategic Plan.

In addition to discussing program performance, the MD&A also addresses our financial performance. The major sources and uses of SSA's funds, as well as the use of these resources in terms of both program and function, are explained.

Finally, the Systems and Controls section of the MD&A provides a discussion of the actions SSA has taken to address our management control responsibilities and of the determination of the Agency's compliance with the Federal Financial Management Improvement Act and the Federal Information Security Management Act. A summary of our progress in reducing improper payments is also included.