
Management's

Discussion and

Analysis

Overview of the Social Security Administration

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.*

The Social Security Programs and How They Benefit the Public

Few government agencies touch the lives of as many people as the Social Security Administration (SSA). There are about 53 million individuals—one in six of the total population—who receive monthly Social Security or Supplemental Security Income (SSI) benefit payments. Through their payroll taxes, almost all workers are earning valuable Social Security coverage for themselves and their families. The following table provides the number of individuals receiving Old-Age, Survivors, and Disability Insurance (OASDI), SSI programs and the combined programs. Over the ten year period from the beginning of October 1996 through the end of September 2005, the number of Old-Age and Survivors Insurance (OASI) beneficiaries has grown by 6 percent, Disability Insurance (DI) by 37 percent and SSI by 10 percent.

Number of Beneficiaries as of September 30 th of Each Year (In Millions)										
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
OASI	37.6	37.8	37.9	38.0	38.7	38.9	39.2	39.4	39.6	40.0
DI	6.0	6.1	6.3	6.5	6.6	6.8	7.1	7.5	7.8	8.2
SSI and OASDI	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.5	2.5	2.5
SSI only	4.2	4.2	4.2	4.2	4.2	4.3	4.4	4.4	4.6	4.6
Total ¹	47.8	48.1	48.4	48.7	49.5	50.0	50.7	51.3	52.0	52.8

Source: Social Security Administration's Master Beneficiary Record and Supplemental Security Record

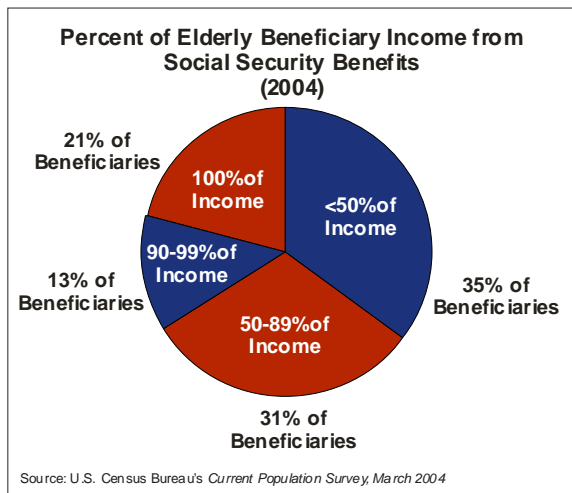
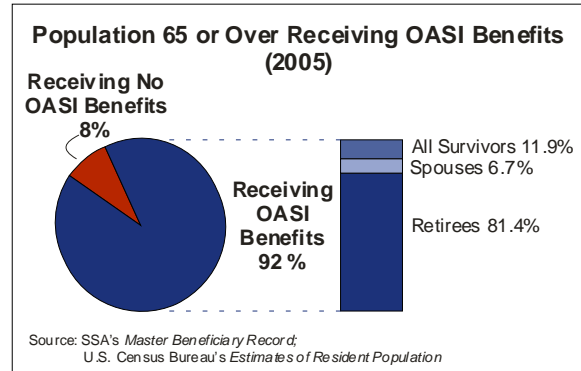
¹Sum of OASI, DI, and SSI only

The combined OASDI programs provide a comprehensive package of protection against the loss of earnings due to retirement, disability and death. Monthly cash benefits are financed through payroll taxes paid by workers and their employers, and by self-employed persons. Social Security benefits are intended to replace a portion of these lost earnings, but people are encouraged to supplement Social Security with savings, pensions, investments, and other insurance. The monthly benefit amount to which an individual (or spouse and children) may become entitled under the OASDI programs is based on the individual's taxable earnings during his or her lifetime. The maximum amount

of earnings on which contributions were payable in 2004 was \$87,900, increased to \$90,000 in 2005, and will increase to \$94,200 in 2006.

Old-Age and Survivors Insurance (OASI) Program:

This program is financed by the OASI Trust Fund. To qualify for OASI benefits, a worker must have paid Social Security taxes (*Federal Income Contributions Act* and/or *Self-Employment Contributions Act*) for at least 10 years (or 40 credits) over the course of his or her lifetime, with the exception of those individuals born before 1929 who need fewer credits to qualify. Working Americans can count on benefits when they retire, with reduced benefits payable as early as age 62. Benefits are also paid to certain members of retired workers’ families and to survivors.

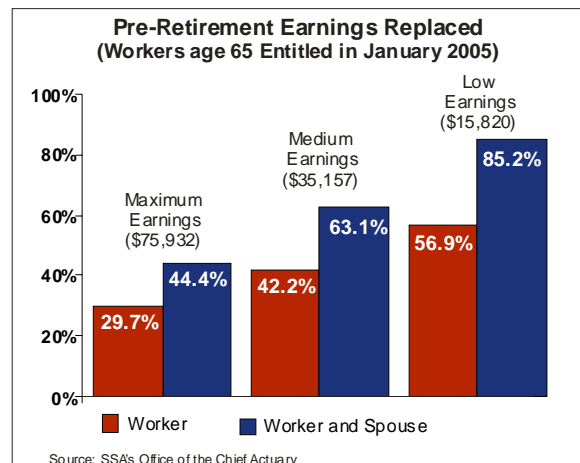


About 97 percent of persons aged 20-49 who worked in Social Security-covered employment in 2004 have acquired survivorship protection for their children under age 18 and surviving spouses caring for children under age 16. For persons age 65 or over in calendar year 2004, as shown in the chart, *Population 65 or Over Receiving OASI Benefits*, 92 percent were receiving benefits. Retired workers account for the largest category of beneficiaries over age 65. In 2004, Social Security benefits comprised 39 percent of the aggregate share of all income to individuals and married couples 65 and over. Other sources of income include assets (12 percent), earnings (26 percent), and pensions (19 percent) both Government and private.

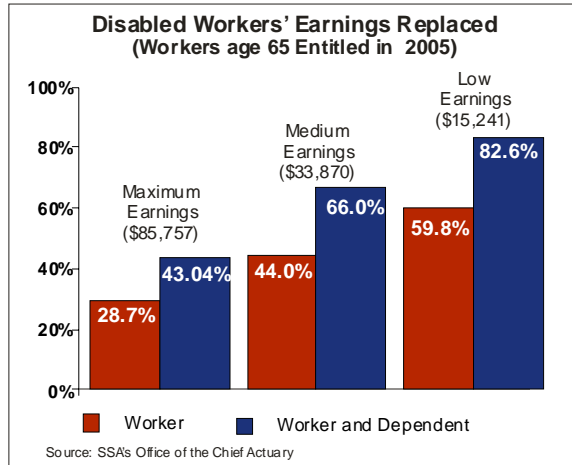
As shown in the chart, *Percent of Beneficiary Income from Social Security Benefits*, while many of the Nation’s

beneficiary individuals and married couples aged 65 and older in 2004 have income from other sources, a portion of the beneficiary population relies heavily on Social Security benefits. Social Security benefits comprise 90 to 100 percent of total income for one-third of the elderly beneficiaries; and for almost two-thirds of the elderly beneficiaries, it is their major income source (50 – 100 percent of their income).

The chart, *Pre-Retirement Earnings Replaced*, shows the earnings replacement rate in 2005 for individuals and couples (i.e., worker with a spouse age 62 or older who is not insured) at various earnings levels. These levels represent average earnings over the worker’s career, which are wage-indexed through 2004. The level of pre-retirement (career-average) earnings replaced by Social Security benefits for a worker retiring at full retirement age varies because the benefit formula is progressive. It is weighted in favor of workers who have lower earnings since they have less opportunity to save and invest during their working years.



Disability Insurance (DI) Program: To qualify for DI benefits, an individual must meet a test of recent covered work before becoming disabled. Disability benefits provide a continuing income base for eligible workers who have qualifying disabilities and for eligible members of their families. About 9 out of 10 people age 21 through 64 who worked in Social Security-covered employment in 2003 will receive benefits if they become disabled and meet other factors of entitlement. Workers are considered disabled if SSA determines that they have a physical or mental impairment that prevents them from engaging in substantial gainful activity. The disability must have lasted, or be expected to last, for a continuous period of not less than 12 months or expect to result in death.



Once benefits begin, they continue for as long as the individual is disabled and does not perform substantial gainful work. However, Social Security offers programs that provide incentives for people who want to work, would like to try to work, or who return to work. SSA also conducts periodic continuing disability reviews to determine whether beneficiaries are still disabled.

The chart, *Disabled Workers' Earnings Replaced*, shows the earnings replacement rate in 2005 for disabled workers and their dependents at various earnings levels. These levels represent average earnings over the worker's career, wage-indexed through 2004.

The table below presents a historical perspective on medium earnings replacement for each of the OASI and DI programs.

Medium ¹ Earnings Replaced Historical Perspective						
	1955	1965	1975	1985	1995	2005
Disabled Worker ²	NA	33.9%	44.2%	43.0%	44.2%	44.0%
Retired Worker	29.0%	28.6%	40.5%	41.5%	43.2%	42.2%

Source: Social Security Administration, Office of Chief Actuary

¹ 'Medium' earnings refer to career-average earnings at about 100 percent of the national average wage index.

² Based on a 45-year-old disabled worker. Data is not available for disability benefit payments for 1955 since the program began in 1957.

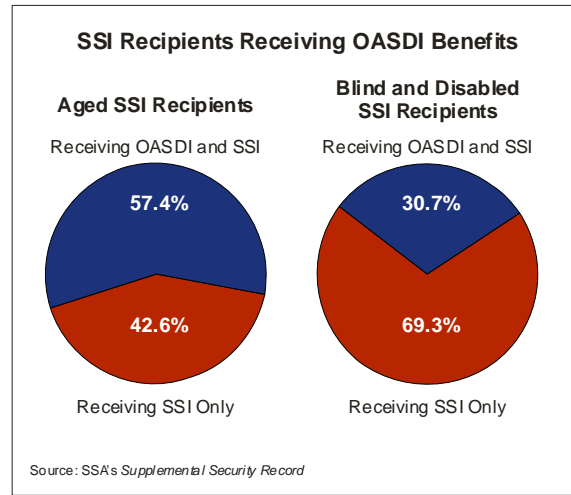
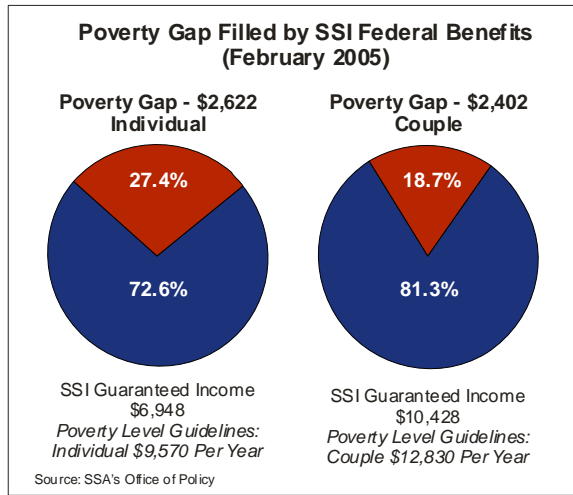
Supplemental Security Income (SSI) Program: SSI is a means-tested program designed to provide or supplement the income of aged, blind or disabled individuals with limited income and resources. SSI payments and related administrative expenses are financed from general tax revenues, not the Social Security trust funds. Children, as well as adults, can receive payments based on disability or blindness.

The definition of disability for adults used in the SSI program, as well as continuing disability review procedures, is the same as those used in the DI program, with the exception of statutory blindness for which different rules apply. There is a separate definition of disability for children seeking SSI benefits. There are general provisions to encourage working and special incentives to those recipients who are disabled or blind. The Federal benefit rate and eligibility requirements are uniform nationwide; however, most States provide a supplement to the Federal SSI benefit.

The chart, *Poverty Gap Filled by SSI Federal Benefits*, shows that SSI recipients with little or no income may receive the full SSI Federal benefit, which is 72.6 percent of the Federal poverty level for an individual and 81.3 percent for a couple.

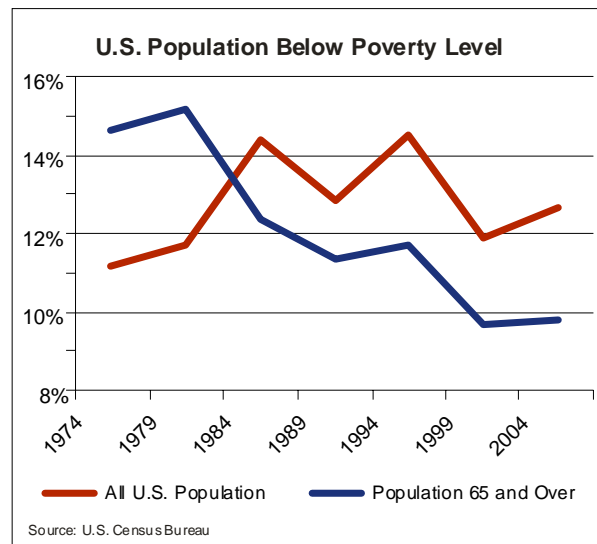
The portion of the poverty gap not filled by Federal SSI may be filled by State SSI supplemental payments. Also, SSI recipients may be eligible for food stamps, Medicaid, low income housing and other social services.

In September 2005, 35.3 percent of all SSI recipients also received Social Security benefits. Most recipients did not have any other income. For 3.9 percent of the recipients, earnings were a source of additional income. As illustrated in the chart, *SSI Recipients Receiving OASDI Benefits*, more aged recipients (57.4 percent) receive Social Security benefits than blind and disabled recipients (30.7 percent).



Social Security's Effect on the American Public: Social Security touches the lives of virtually every person in America. Whether after the loss of a loved one, at the onset of disability, or during the transition from the workforce to retirement, Social Security programs and employees are available to offer support to the people of this country. Widely considered the Nation's most successful domestic Federal program, Social Security provides a basic level of protection to all covered workers based on their past earnings. SSI provides a backup for the Social Security program by guaranteeing a minimum level of income to needy aged and disabled adults and children.

It is clear that Social Security and SSI benefits have had a significant role in the improved economic security of the nation's people. Poverty among elderly has been reduced by 33 percent over the past 30 years, decreasing from 14.6 percent in 1974 to 9.8 percent in 2004. Poverty rates of the elderly are expected to decline further in the future because earnings, on which Social Security benefits and pensions are based, tend to increase more rapidly than the poverty thresholds, which are indexed to price growth. In 1936, when Social Security Numbers were first assigned to workers, most of the Nation's elderly were living in poverty. Today, monthly benefits are an important part of the quality of life of the elderly and millions more who are protected in case of disability or death.



The portion of the population with enough work credits to be qualified for Social Security benefits has grown steadily over the years. The percentage of people aged 20 and over

with enough work credits to qualify for Social Security benefits increased from 77 percent in 1970 to 87 percent in 2005. Although men are more likely than women to have sufficient credits, the gender gap is shrinking. The proportion of men with enough work credits to qualify for Social Security benefits has remained essentially stable at 92 percent. By contrast, the proportion of women with enough covered work has increased from 63 percent in 1970 to 84 percent today.

As shown in the chart on the previous page, *U.S. Population Below Poverty Level*, the percentage of the population age 65 and over in the United States who live below the Federal poverty level has been consistently lower than that of the general population since the 1980s. In 2004, the poverty rate of the elderly was 9.8 percent compared with 12.7 percent for the total population.

Rates of poverty and program coverage provide an indication of how Social Security and SSI benefits are improving the lives of the Nation's people. However, the Agency's programs are not the only factors that affect the economic status of the aged and survivor populations and persons with disabilities. Savings, investments, other public and private retirement plans, medical coverage, other Government Programs, and the state of the economy also play important roles. Moreover, most of the important features of SSA's programs are established by law and cannot be altered by the Agency, but only by Congress.

As discussions continue on how best to strengthen the Social Security programs for the future, the Agency's goal is to ensure that the public has the information needed to understand the issue. SSA provides information to educate the public about the financing challenges facing the Social Security programs. SSA has conducted numerous analyses related to fiscal distributional and administrative aspects of Social Security programs for the Administration and Congress.

Workloads

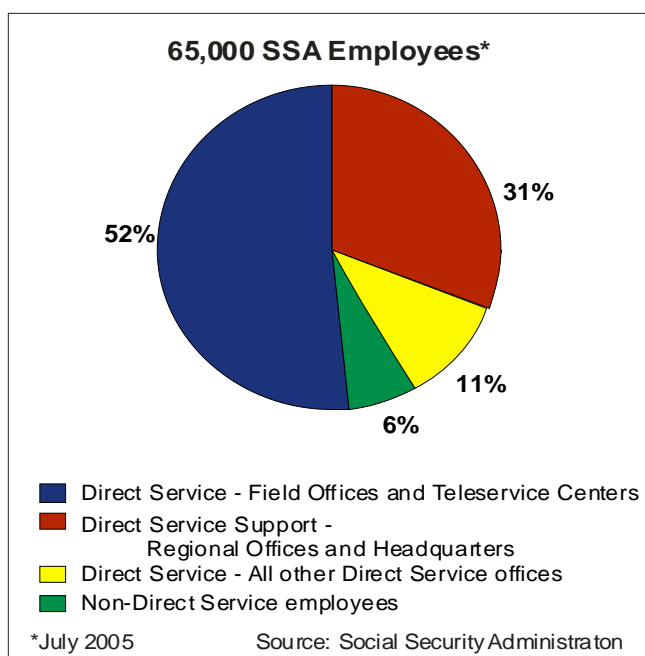
In FY 2005, as in prior years, the largest use of SSA's administrative resources went to processing its priority workloads. These workloads included:

- Paying benefits to almost 53 million people every month.
- Evaluating evidence, and making determinations of eligibility for benefits on more than 8 million new claims.
- Making decisions on over 1.6 million hearings and appellate actions.
- Issuing over 17 million new and replacement Social Security cards.
- Processing 257 million earnings items for crediting to workers' earnings records.
- Handling approximately 56 million calls to SSA's 800-number.
- Issuing over 143 million *Social Security Statements*.
- Processing over 1.5 million periodic continuing disability reviews.
- Processing over 1.7 million non-disability SSI redeterminations to ensure that SSI eligibility is still met.

Agency Organization

SSA has been the primary face of the Federal Government, and overall the public views the Agency's performance and service favorably. The Nation's citizens expect SSA's employees to be respectful, responsive, and reliable. SSA has ranked among the premier agencies in Government service for over 70 years as the Federal agency charged with managing and delivering these important programs for many people and in many communities across the country.

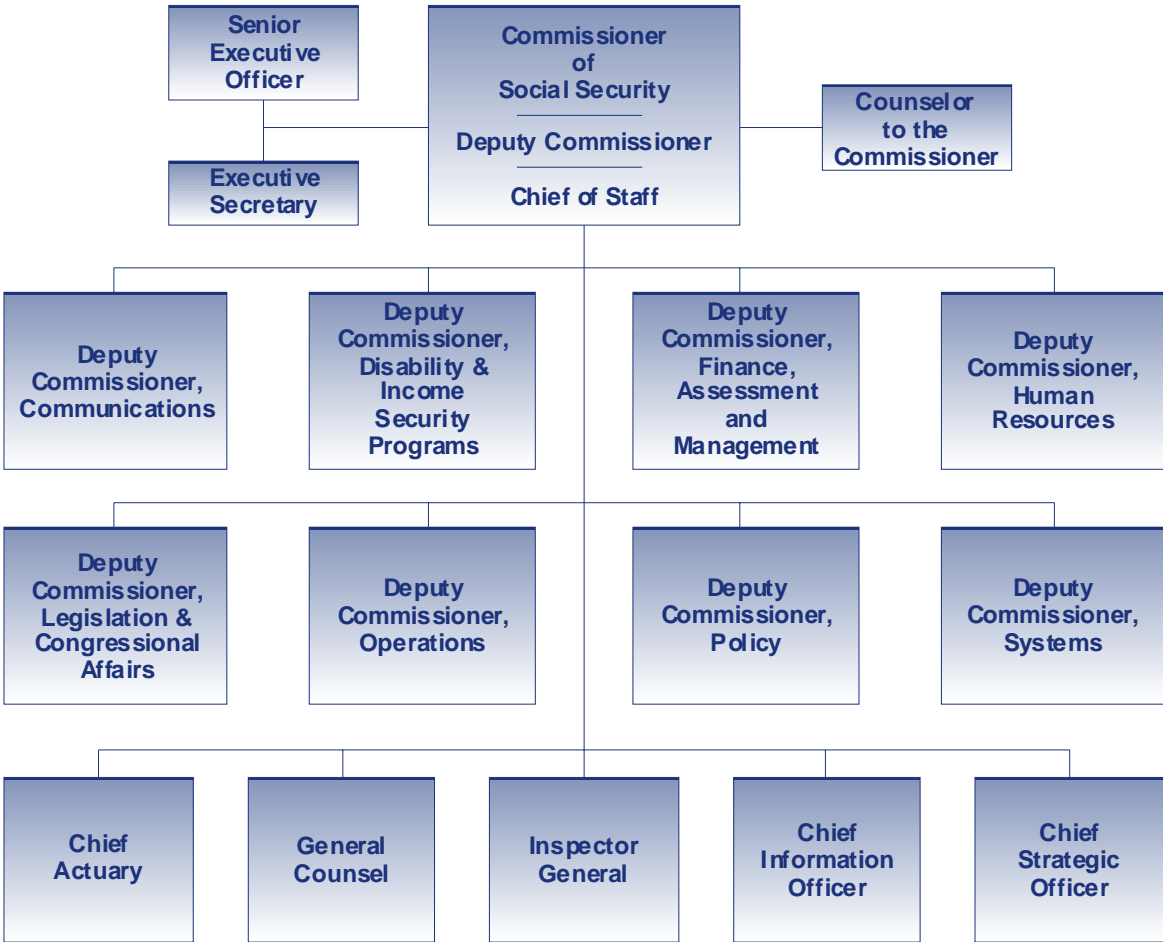
SSA's organization is centrally managed with a nationwide network of over 1,500 offices, which includes Field Offices, Regional Offices, Teleservice (800-Number) Centers, Program Service Centers, Hearings Offices, and State Disability Determination Services. Individuals can also conduct business and obtain information via SSA's website (www.socialsecurity.gov). SSA's organizational structure is designed to provide timely, accurate and responsive service to the public. By integrating support services for all of its programs, SSA enhances efficiency, avoids duplication of effort, and increases opportunities to provide one-stop service to the public. SSA's Field Offices are the primary points for face-to-face contact with the public. Teleservice Centers offer national toll-free telephone service at 1-800-SSA-1213. The Program Service Centers process a wide variety of workloads, as well as answer 800-number calls. The Office of Central Operations, which includes the Data Operations Center, processes disability-related workloads, international and earnings operations, and also has an expanding role in answering 800-number calls. The Hearings Offices and Appeals Council make decisions on appeals of SSA determinations.



Approximately 61,000 of SSA's 65,000 employees deliver direct service to the public or directly support the services provided by our front-line workers. The public is most familiar with the 34,000 employees in SSA's 1,332 Field Offices and 36 Teleservice Centers. They are also served by 20,100 employees in the Program Service Centers, the Office of Central Operations, the Hearings Offices, the Appeals Council, the Office of General Counsel, the Office of the Inspector General, the Office of Public Inquiries, and by staff providing direct service via the Internet. Another 6,800 employees in Regional Offices and Headquarters directly support the services delivered by Social Security's front-line workers. Additionally, the disability programs depend on the work of some 16,275 employees in State Disability Determination Services.

SSA's remaining employees in non-direct service perform equally important functions in developing other information technology and public information products, ensuring sound fiscal stewardship, developing and implementing uniform program policies and procedures, and supporting the workforce by providing, maintaining and safeguarding the work spaces. Whether within SSA or at the Disability Determination Services, each and every employee in front-line and staff positions plays an important role in the success of Social Security programs.

Organization of the Social Security Administration



Overview of Key Performance Indicators, Goals and Results

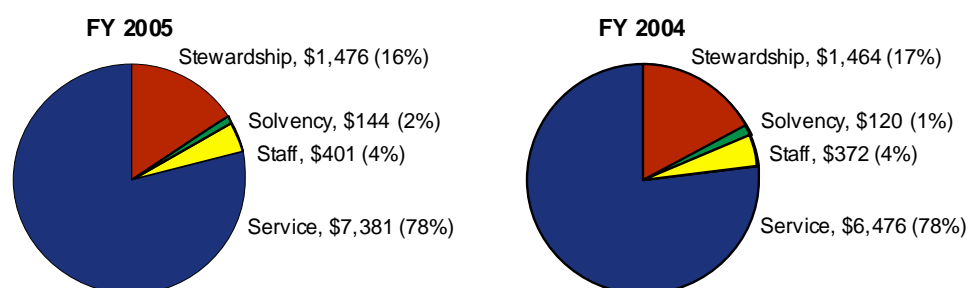
FY 2005 Overview of Performance

In early 2003, the Social Security Administration (SSA) published its *Agency Strategic Plan* for fiscal years (FY) 2003 through 2008. The Strategic Plan reflects the priorities and direction of SSA's Commissioner and the Administration, setting the Agency's course for achieving measurable results that improve American lives. The Plan's four strategic goals — **SERVICE, STEWARDSHIP, SOLVENCY** and **STAFF** — drive objectives and outcomes that help support the Agency's mission and provide the framework for allocating Agency resources. They articulate the challenge of giving the public the service they deserve; improving program integrity through financial stewardship; supporting reforms to ensure sustainable solvency for future generations; and maintaining the quality staff SSA needs to provide service and stewardship.

The following figures represent the portion of the Agency's FY 2005 operating expenses used in support of each goal:

1. To deliver high-quality, citizen-centered **SERVICE**—78 percent
2. To ensure superior **STEWARDSHIP** of Social Security programs and resources—16 percent
3. To achieve sustainable **SOLVENCY** and ensure Social Security programs meet the needs of current and future generations—2 percent
4. To strategically manage and align **STAFF** to support Social Security's mission—4 percent

Operating Expenses by Strategic Goal
(\$ millions)

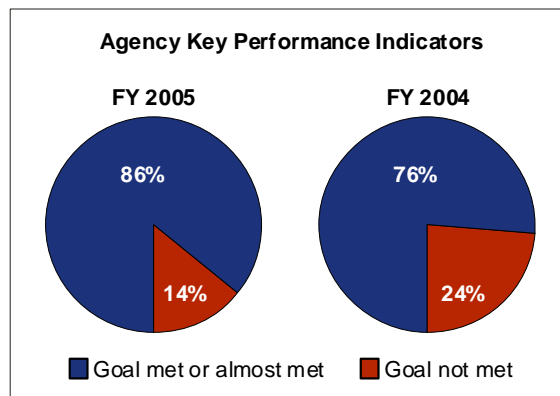


Every year SSA's *Annual Performance Plan* (APP), which is included in the Agency's performance budget, describes how SSA will strategically achieve better performance, accountability, effectiveness, and efficiency in a given FY. It specifies performance targets by which progress toward Agency goals and objectives can be measured. One purpose of this *FY 2005 Performance and Accountability Report* (PAR) is to document the Agency's accomplishments for each of the 42 *Government Performance and Results Act* (GPRA) performance measures specified in the APP's revised final plan for FY 2005.

Of the 42 GPRA performance measures, 14 have been designated as key performance indicators (KPIs). These 14 indicators, described on the following pages, were selected because they portray the Agency's efforts to address

the challenges it faces as the Federal agency with one of the largest budgets in Government. Also, performance data for these indicators is available immediately after the close of the FY. Having complete and accurate data for the KPIs is essential for SSA's Office of the Inspector General (OIG) to determine the reliability of the Agency's data. (See OIG's FY 2005 report in a later section of this PAR.)

In FY 2005, SSA met its performance goals for 10 of the 14 key performance indicators; almost met the goals for 2; and did not meet the goals for 2 indicators. The percentage of goals met or almost met for the KPIs comes to 86 percent. The Agency did not meet 2 of its goals, which represents 14 percent of the performance measures where actual data were available. This compares favorably to the Agency's FY 2004 performance in which it met or almost met 76 percent of its key performance indicator goals. The assessment category of *almost met* recognizes results that were very close—determined to be 95 percent of the goal or better. A list of all 42 performance measures and goals, also referred to as targets, can be found in the *Performance Section* of this report beginning on page 59. Historical information for each performance indicator, where applicable, is also shown, along with a narrative as to Agency performance for each measure.



The following tables list FY 2005 KPI achievements by the first three strategic goals—**SERVICE, STEWARDSHIP** and **SOLVENCY**. There is a later discussion of the **STAFF** goal, for which no key indicators were designated in FY 2005. Note that for goals stated in whole numbers, actual numbers have been rounded to the nearest whole number using the standard rounding convention of rounding up numbers that are .5 or higher and rounding down those that are .4 or less. In instances where the goal is shown as a decimal, the actual number is also reported as a decimal.

Key:

- ↑ **Target met**
- ↗ **Target almost met (within 95 percent of the goal)**
- ↓ **Target not met**

Strategic Goal 1: SERVICE
To deliver high quality, citizen-centered SERVICE

Key Performance Indicator	FY 2005 Goal	FY 2005 Actual	Goal Met?	See Page# ¹
1.1a Number of initial disability claims processed by the Disability Determination Services (DDS)	2,677,000	2,617,231 ²	↗	67
1.1b Maintain the number of initial disability claims pending in the DDS (at or below the FY 2005/2006 goal)	592,000	560,529	↑	68
1.1c Number of SSA hearings processed	525,000	519,359 ³	↗	69

¹ More detailed information can be found in the *Performance Section* on the pages cited in the chart above.

² The volume of initial disability claims received was lower than anticipated and DDSs were unable to maintain previous levels of productivity due to the transition to electronic disability (eDib).

³ Resources were redirected to processing Medicare only hearings to expedite the transfer of that workload to CMS.

Strategic Goal 1: SERVICE*To deliver high quality, citizen-centered SERVICE*

Key Performance Indicator	FY 2005 Goal	FY 2005 Actual	Goal Met?	See Page# ¹
1.1d Maintain the number of SSA hearings pending (at or below the FY 2005/2006 goal)	714,000	708,164	↑	69
1.1f Average processing time for initial disability claims	93 days	93 days	↑	71
1.1g Average processing time for hearings	442 days	415 days	↑	72
1.3d Increase the usage of electronic entitlement and supporting actions	120% growth (649,482)	471.1%	↑	81
1.3e Increase the percent of employee reports (W-2 forms) filed electronically	60%	66%	↑	82
1.3f Percent of individuals who do business with SSA rating the overall service as “excellent,” “very good,” or “good”	83%	85%	↑	83

SSA is committed to delivering the **SERVICE** the public expects, including a measure of economic security. The Agency’s service also includes consideration of accuracy, productivity, cost, timeliness and overall public satisfaction. Changes in demographics, medical and technological advances, and other related environmental factors have affected service delivery, particularly with respect to disability programs. The Agency is responsible for continually assessing its programs in the context of societal trends and looking for better, more efficient ways to meet the needs of current and future beneficiaries.

Each claim for benefits that is processed by SSA translates into a decision, and in turn a payment to a claimant or a notice of denial of benefits. Each transaction that SSA processes electronically translates into savings for both the Government in terms of time and money, as well as to a member of the public in terms of increased assurance that the individual has received accurate and timely service—whether it be a posting to an earnings record, a change of payment address, or the verification of a Social Security Number.

Among the nine KPIs related to the **SERVICE** goal, the Agency met/almost met all of the goals. The two that were almost met, *Number of initial disability claims processed by the Disability Determination Services*, and *Number of SSA hearings processed*, were not fully met because:

- The volume of initial disability claims received was lower than anticipated and DDSs were unable to maintain previous levels of productivity due to the transition to eDib; and
- Resources were redirected to processing Medicare only hearings to expedite the transfer of that workload to The Centers for Medicare & Medicaid Services (CMS).

Strategic Goal 2: STEWARDSHIP

To ensure superior STEWARDSHIP of Social Security programs and resources

Key Performance Indicator	FY 2005 Goal	FY 2005 Actual	Goal Met?	See Page# ⁴
2.1a Supplemental Security Income (SSI) non-disability redeterminations	1,696,000	1,724,875	↑	85
2.1b Periodic CDRs processed	1,384,000	1,515,477	↑	86
2.4b DDS cases processed per workyear (PPWY)	278	260 ⁵	↓	96
2.4g Get to “green” on four of the five President’s Management Agenda (PMA) initiatives	“Green” on four of five PMA initiatives	“Green” on three of five PMA initiatives	↓	100

Individuals who contribute to the Social Security program through payroll deductions and self-employment taxes, and pay income taxes that support the SSI program, need assurance that these dollars are properly managed. The individuals receiving benefits must be guaranteed their payments are accurate and received timely. Taxpayers deserve the assurance that benefits are not paid to ineligible individuals and that administrative dollars are spent in the most efficient manner.

Among the four KPIs related to the **STEWARDSHIP** goal, Social Security met two and did not meet two of the goals. The goal related to *DDS cases processed per workyear (PPWY)* was not met due to training, the learning curve and transition to new business processes with the implementation of the new electronic disability (eDib) claims process.

Strategic Goal 3: SOLVENCY

To achieve sustainable SOLVENCY and ensure Social Security programs meet the needs of current and future generations

Key Performance Indicator	FY 2005 Goal	FY 2005 Actual	Goal Met?	See Page#
3.1a Provide support to the Administration and Congress in developing legislative proposals and implementing reforms to achieve sustainable solvency for Social Security	Conduct analysis for the Administration and Congress on key issues related to implementing Social Security reforms	Completed	↑	102

The Nation’s population is growing older, with profound, long-term effects on the solvency of Social Security programs as provided for by current law. According to the Social Security’s Board of Trustees *2005 Annual Report*, the Comptroller General of the United States, and the Chairman of the Federal Reserve, Social Security is unsustainable over the long term at present payroll tax and scheduled benefit levels.

⁴ More detailed information can be found in the *Performance Section* on the pages cited in the chart above.

⁵ SSA was not able to meet this goal due to training, the learning curve and transition to new business processes with the implementation of the new eDib claims process. More detailed information can be found in the *Performance Section* on page 96.

Social Security has met the goal for this key performance indicator. The research and analysis that the Agency conducts on behalf of the Administration and Congress provides objective information needed to support or augment various proposals for reform.

Strategic Goal 4: STAFF

Strategically manage and align STAFF to support Social Security's mission

Social Security's most critical asset in continuing to maintain a high level of service is the excellence of its workforce. While it is anticipated that more than a third of SSA's employees will be retiring in the coming years, with workloads expected to grow dramatically as the baby boom generation approaches their peak disability and retirement years, SSA continues to develop effective strategies to ensure that the Agency maintains a high performing workforce to deliver quality service. SSA strives to implement effective strategies that promote superior employee performance and encourage employee retention.

As mentioned previously, the **STAFF** performance indicator is not among the KPIs in FY 2005. This in no way reflects on the importance of the Agency's dedicated employees—the *key* enablers who support the overall Agency mission, goals and high public service standards.

Electronic versions of the documents discussed can be viewed at the following Internet addresses:

SSA's 2003-2008 Strategic Plan can be found at:
<http://www.socialsecurity.gov/strategicplan.html>

SSA's FY 2006 APP/Revised Final FY 2005 APP can be found at:
<http://www.socialsecurity.gov/performance/>

For a paper copy of either SSA's Strategic Plan or Annual Performance Plan, write to:

Social Security Administration
Office of Strategic Management
4215 West High Rise
6401 Security Boulevard
Baltimore, MD 21235

Performance Factors

President's Management Agenda (PMA): SSA made significant progress in FY 2005 in support of the PMA in the following areas: Expanded Electronic Government, Competitive Sourcing, Improved Financial Performance, Budget and Performance Integration, and Strategic Management of Human Capital. SSA incorporated the PMA initiatives into its strategies for achieving the Agency's mission and strategic goals. Multi-year plans for achieving the goals of all five PMA initiatives were developed. A detailed discussion of SSA's achievements can be found beginning on page 46.

Program Assessment Rating Tool (PART): The PART is an Office of Management and Budget (OMB) developed diagnostic tool used to examine different aspects of program performance to identify the strengths and weaknesses of a given Federal program. The OMB selected the Disability Insurance and SSI Aged programs during its initial assessment period in 2002, and the results were published in the President's FY 2004 Budget. The same two programs were reevaluated in the summer of 2003 and the results were published in the President's FY 2005 Budget. In 2004, OMB combined the SSI Aged, Blind and Disabled programs for the President's FY 2006 Budget.

By the end of 2004, SSA had evaluated 75 percent of its programs. SSA did not have any new programs evaluated in FY 2005. Refer to page 106 of the *Performance Section* for PART performance measure results.

Financial and Performance Integration: SSA has worked diligently to emphasize the relationship between resources and results. The programs in this area included the Commissioner's multi-year Service Delivery Budget Plan, which provides a context for making decisions on needed improvements in service delivery, fiscal Stewardship, and the requisite staffing to accomplish both. The budget plan was developed as a multi-year plan to demonstrate the resources required to keep up with core workloads, process special workloads, eliminate backlogs of disability claims, hearings and appeals, and other operational workloads, and to improve productivity and fiscal stewardship.

The Service Delivery Budget Plan aligns costs and workyears with overarching performance goals in the Agency's Strategic Plan. For example, the initial Service Delivery Budget Plan identified the resources required to eliminate backlogs by the end of FY 2008 and took into account savings for efficiencies that the Agency expects to achieve from process and technology changes. The Agency was able to show, each year through FY 2008, the costs of reducing backlogs or simply keeping up with workloads. Agency accounting and cost analysis systems, which track the fully loaded administrative costs of SSA programs by workload, as well as employee production rates, were invaluable tools in helping develop projections.

SSA is also improving its core budget formulation system, and developing an automated system that will build on the current financial performance and management information systems. It will enable the Agency to better project how resource changes affect various workloads, outputs and outcomes. For instance, in response to a Congressional inquiry, the Agency used unit cost information to show how many fewer disability claims would be processed if the President's FY 2004 budget were not fully funded. Further, SSA has demonstrated a macro budget formulation model which helps to estimate what level of performance to expect at different levels of funding and productivity.

The Agency budget clearly defines performance commitments, both in terms of the public service and program integrity workloads that the Agency will handle and the outcomes it expects to achieve. SSA plans and budget activities reflect evaluation and feedback from the Congress, the Social Security Advisory Board, the Government Accountability Office (GAO), and SSA's OIG. Accountability is clearly defined for major Agency initiatives and workloads, and productivity and/or process improvements are built in. Agency executives meet on a monthly basis to review and discuss performance measures; resource allocation decisions are made based on performance and projected workloads. Furthermore, results from the PMA are integrated into the Agency's decision-making process, and are included in budget justification materials.

Major Management Challenges: The Agency also took action to address the Major Management Challenges identified by the GAO and SSA's OIG. The *Agency Challenges* section of this report, which begins on page 23, outlines these major challenges and the steps SSA has taken to address these issues.

Data Quality

Social Security is committed to providing clear, reliable data for managerial decision-making and oversight. SSA strives to ensure that its data is quantifiable and verifiable. Internal management controls are in place that reflect the insights and directives provided by the Agency's OIG and the GAO. These controls, which include ongoing data quality reviews, as well as reviews at all levels of management, audit trails, restricted access to sensitive data and separation of responsibilities, are designed to safeguard the integrity and quality of Social Security's vast data resources. The controls provide assurances that data in this PAR contain no material inadequacies, and further allow the Commissioner to certify that, with reasonable assurance, Social Security is in compliance with the provisions of the *Federal Managers' Financial Integrity Act of 1982*.

Social Security Data Integrity Systems and Controls: Performance data for the APP's quantifiable measures, including the budgeted output measures, are generated by automated management information and workload measurement systems as a by-product of routine operations. The performance data for several accuracy and public

satisfaction indicators comes from surveys and workload samples designed to achieve very high levels of statistical validity—usually with a 95 percent confidence level.

The Agency's Office of Quality Assurance and Performance Assessment performs stewardship reviews and reports on the quality of the Old-Age, Survivors, and Disability Insurance (OASDI) and Supplemental Security Income (SSI) programs. The reviews will continue to be the primary measure of quality for Agency performance and provide the basis for reports to Congress and other monitoring authorities. The reviews provide an overall accuracy measurement of payments to all Social Security beneficiaries that are based on monthly sample selections from Social Security records consisting of beneficiaries currently receiving benefits. For each sampled case, Social Security interviews the recipient or representative payee, makes other contacts as needed, and redevelops all non-medical factors of eligibility.

The Office of Quality Assurance (OQA) has initiated a newer evaluation process to provide more current and useable quality feedback on recently processed OASDI cases. This process also includes SSI claims and redeterminations. The process, known as *Transaction Accuracy Reviews*, focuses on field office and program service center quality. It relies on the case processing procedures as defined by the Agency's *Program Operations Manual System* instructions. When these instructions have not been followed and further development of the case is required, the OQA makes a personal contact with the claimant or representative payee to bring the issue in question into compliance with the instructions and to determine whether there is any effect on payments. If an error is apparent from the material in the field office file and does not require any further development, the OQA reviewer cites an error and determines the effect on payment. Quality feedback is provided to the office that processed the case. The review samples a total of about 20,000 cases annually—10,000 for each of the OASDI and SSI programs. These reviews produce national and regional data on the quality of approximately 5 million OASDI claims, as well as 4.2 million SSI claims, redeterminations and other actions processed each year.

In addition, based on the findings, targeted reviews focus on specific problems that are identified at the national or regional level. Targeted samples are not limited to *Program Operations Manual System* compliance standards, but depend on the nature of the issue. Problem areas identified during the review drive the selection of topics for these targeted reviews of 8,000 cases annually—4,000 for each of the OASDI and the SSI programs. The selections are distributed in proportion to the size of the recipient population of each Social Security region.

Assessment visits to field offices comprise a third element of the review. In conjunction with the Regional Commissioners, Regional Offices of Quality Assurance staff conduct field assessment visits to identify where work process improvements can be made. Reports are provided every 6 months, covering a rolling 12 month review period.

Performance Report: The annual PAR is used to report Agency progress in meeting the goals of the *Government Performance and Results Act of 1993*. This FY 2005 PAR describes the Agency's comprehensive review of management and security controls for administrative and programmatic processes as well as accounting controls in its financial management systems.

Also discussed are the results of the audit of the FY 2005 financial statements and internal controls by PricewaterhouseCoopers (PwC), an independent accounting firm. The Agency uses the results of such reviews and assessments to take action to ensure that appropriate controls are in place to prevent unauthorized systems access and to increase confidence in the reliability of performance data.

Role of Social Security's OIG: OIG plays a key role in auditing performance measure data systems to determine if they are reliable and that data are useful and relevant to policy decision-making. OIG annually audits a number of Social Security's performance measures and corresponding performance data. In FY 2005, OIG initiated a review of 16 GPRA performance measures reported in the Agency's FY 2004 PAR. The OIG's contractor, PwC, performed the work, and their objectives were to:

- Assess the effectiveness of internal controls and test critical controls over the data generation, calculation, and reporting processes for the specific performance indicator.

- Assess the overall reliability of the performance indicator's computer processed data. Data are reliable when they are complete, accurate and consistent, and are not subject to inappropriate alteration.
- Test the accuracy of results presented and disclosed in the *Fiscal Year 2004 Performance and Accountability Report*.
- Assess if the performance indicator provides a meaningful measurement of the program it measures and the achievement of its stated objective.

Of the 16 audited GPRA performance measures, as of the end of FY 2005, OIG had only issued final audit reports for seven of the measures. Of these seven measures, the OIG found the data for one of the measures to be reliable while the data for six of the measures were not reliable. The OIG concluded that the reasons the data was considered unreliable included: SSA employees with excessive system access rights to the datasets used to calculate the results of the performance indicators; and data retention limitations for the detailed data used to calculate the performance indicator results.

SSA has already implemented or agreed to implement a majority of the audit recommendations. In addition, the Agency provided a rationale concerning the recommendations with which it did not agree. For example, in response to the audit findings related to data retention the Agency cited *OMB Circular A-11, Section 230.2 (f)*, "Assessing the Completeness and Reliability of Performance Data," the "Performance data need not be perfect to be reliable, particularly if the cost and effort to secure the best performance data possible will exceed the value of any data so obtained." Due to system limitations, the Agency cannot maintain a full FY's worth of detailed-level data related to several of its performance measures. In addition, the Agency believes that the cost for the additional systems storage would outweigh the return-on-investment.

In response to the FY 2004 GPRA audit observations made by the OIG, SSA is:

- Using a risk-based approach to evaluate access rights for all its programmatic and administrative systems. The systems identified as most tempting for high-risk activity have been successfully secured.
- Working to improve the overall documentation for performance measures which are not defined as "Key Performance Indicators."
- Coordinating with performance measures owners to ensure that the measures are results oriented and show progress against strategic objectives and goals.

Audit of SSA's FY 2005 Financial Statements: In accordance with the *Chief Financial Officer's Act of 1990*, SSA's financial statements were independently audited by PwC. The objective of this audit was to determine whether the financial statements present fairly, in all material respects, the financial position of the Agency. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. The PwC audit report can be found in the *Financial Section* of this FY 2005 Performance and Accountability Report.

Agency Challenges

Each year SSA’s Office of the Inspector General (OIG) and the Government Accountability Office (GAO) specify major management challenges for the Agency. The following table lists these challenges, links the challenges to related Agency strategic goals and objectives, and shows the *President’s Management Agenda* (PMA) initiatives most closely related to both the challenges and the goals.

Agency challenges are grouped by the Agency strategic goal — **SERVICE, STEWARDSHIP, SOLVENCY** and **STAFF** — that addresses a specific challenge. PMAs are also listed to enhance the reader’s understanding of the relationship among the different elements.

SSA’s Major Management Challenges Linked to Agency Strategic Goals and the PMA		
Major Management Challenges	Strategic Goals and Objectives that Address the Challenges	PMA Items Related to Challenges and Goals
<u>SERVICE</u>		
<ul style="list-style-type: none"> ▪ Management of the Disability Process * ▪ Improve Programs that Provide Support for Individuals with Disabilities † ▪ Better Position SSA for Future Service Delivery Challenges, Including Information Technology† ▪ e-Government (OIG’s Service Delivery)* 	<ul style="list-style-type: none"> ▪ Make the right decision in the disability process as early as possible ▪ Increase employment for people with disabilities ▪ Improve service through technology 	<ul style="list-style-type: none"> ▪ Expanded Electronic Government
<u>STEWARDSHIP</u>		
<ul style="list-style-type: none"> ▪ Continue to Strengthen the Integrity of the Supplemental Security Income Program † ▪ Improper Payments * ▪ Social Security Number (SSN) Integrity and Protection * ▪ Internal Control Environment and Performance Measures* ▪ Strengthen Controls to Protect the Personal Information SSA Develops and Maintains† ▪ Critical Infrastructure Protection and Systems Security * ▪ Representative Payee* 	<ul style="list-style-type: none"> ▪ Prevent fraudulent and improper payments and improve debt management ▪ Strengthen the integrity of the SSN ▪ Increase accuracy of earnings records ▪ Efficiently manage Agency finances and assets, and effectively link resources to performance outcomes 	<ul style="list-style-type: none"> ▪ Competitive Sourcing ▪ Improved Financial Performance ▪ Budget and Performance Integration (including Program Assessment Rating Tool (PART) requirements) ▪ Improper Payments (Program Initiative)

SSA's Major Management Challenges Linked to Agency Strategic Goals and the PMA		
Major Management Challenges	Strategic Goals and Objectives that Address the Challenges	PMA Items Related to Challenges and Goals
<u>SOLVENCY</u>		
<ul style="list-style-type: none"> ▪ President Bush, Congress, GAO and the Congressional Budget Office have called for reforms to strengthen Social Security 	<ul style="list-style-type: none"> ▪ Through education and research efforts, support reforms to ensure sustainable solvency and more responsive retirement and disability programs 	<ul style="list-style-type: none"> ▪ There are no PMA items that directly relate to Solvency.
<u>STAFF</u>		
<ul style="list-style-type: none"> ▪ Human Capital (GAO and OIG's Service Delivery) 	<ul style="list-style-type: none"> ▪ Recruit, develop, and retain a high-performing workforce 	<ul style="list-style-type: none"> ▪ Strategic Management of Human Capital

* Identified by SSA's OIG

† Identified by the GAO

Agency Challenges by Strategic Goal

SSA's current strategic goals and objectives, articulated in the *Agency Strategic Plan* published in March 2003, provide a framework for prioritizing projects and initiatives and allocating Agency resources. As challenges are identified, adjustments are made to the activities under each strategic goal, but the goals and objectives remain as initially stated until a new strategic plan is published in early 2006.

A discussion follows of how Agency goals and objectives address the challenges identified by SSA's OIG and the GAO as each challenge relates to the Agency's goals. It is important to note that many challenges cut across Agency objectives. For instance, *Electronic Government* relates not only to the **SERVICE** goal, but relates also to the Agency's **STEWARDSHIP** goal. Other challenges overlap. "*Better positioning SSA for future service delivery,*" for instance, is closely tied to other challenges such as "*Social Security Number integrity and protection*" and "*Strengthen controls to protect the personal information SSA develops and maintains.*" Because of these interrelationships, it is more effective to treat challenges as groups within the objective to which they most closely relate. In addition, because Agency strategic goals drive virtually all of SSA's planning and resource allocations, the identified challenges are discussed along the same lines as the goals: **SERVICE, STEWARDSHIP, SOLVENCY** and **STAFF**.

Strategic Goal 1: SERVICE

To deliver high quality, citizen-centered SERVICE

SERVICE Challenges:

- Management of the Disability Process
- Improve Programs that Provide Support for Individuals with Disabilities
- Better Position SSA for Future Service Delivery Challenges, Including Information Technology
- Electronic Government

Strategic SERVICE Objectives that Address the Challenges:

- Make the Right Decision in the Disability Process as Early as Possible
- Increase Employment for People with Disabilities
- Improve Service through Technology

PMA Initiative Related to SERVICE:

- Expanded Electronic Government

Addressing the Service Challenges Through Changes to the Disability Process

One of the SSA's highest priorities is to improve service to individuals filing disability claims and appeals. The time it now takes to process these actions is unacceptable. Some people who are clearly disabled deserve, but cannot get, an immediate decision. Delays place significant burdens on applicants and their families and drain Agency resources. The SSA's proposed improvements to the disability determination process, made possible by the Agency's electronic disability process, are designed to accelerate decision times and pay benefits much earlier in the process to people who are clearly disabled.

Improved management of the process since 2001 has resulted in a decrease of 13 days in average disability claim processing time—from 106 days to 93 days. This improvement in processing time specifically addresses the challenge related to the Service challenge, "*Management of the Disability Process*".

Disability applications are expected to increase as baby boomers enter their disability-prone and retirement years. With the number of Disability Insurance (DI) beneficiaries projected to grow 35 percent in the 10-year period from 2003 to 2012, SSA continues to develop and implement process improvements to address the challenges inherent to a growing workload and unacceptably long processing times. Two such improvements are discussed below.

Electronic Disability Processing: Upon taking office, the Commissioner instituted a thorough analysis of the disability business process from a claimant's first contact with SSA through all steps of the process, assuming the claimant was denied at each level from the initial decision to the final appeal. The analysis, done from the claimant's point of view, identified delays throughout the process and found that moving to an electronic system would address many of the delays and improve timeliness.

SSA has relied on paper applications and evidence stored in file folders to facilitate an applicant's claim for benefits through the claim review and decision process. Reliance on the paper folder necessitated the physical movement of the folder through each processing step, including using the Postal Service to mail folders between offices. To reduce delays inherent in this process, as well as the expense of shipping and storing folders, SSA has implemented an electronic disability initiative known as *eDib*. The new process replaces the paper disability folder with electronic records that are easily accessible to case processing personnel all across the country. The electronic

folder also eliminates the problem of lost folders, which previously resulted in further delays to locate or recreate in the disability process. Implementation of the electronic folder began in January 2004, with full expansion to be completed by the end of fiscal year (FY) 2006. As of the end of FY 2005, the electronic folder process has been initiated in all SSA Field Offices and in all State Disability Determination Service sites except New York, which will begin processing electronic folders in January 2006.

SSA also made significant progress in the implementation of the eDib initiative within the Office of Hearings and Appeals (OHA) in FY 2005, and is already realizing some of the benefits provided by electronic case processing. The Agency provided eDib training to 75 hearing offices during FY 2005, increasing the total number of hearing offices trained in processing cases electronically. The hardware needed to conduct electronic hearings has also been installed in 99 hearing offices during FY 2005, allowing 563 electronic hearings to be held by the close of FY 2005. The installation of digital recording equipment supports electronic case processing. OHA has involved claimant representatives and expert witnesses in the use of eDib. The process to validate and certify the first hearing offices to process disability case hearings in a folderless environment is now underway. The Agency continues to provide system enhancements that will expedite the hearing process and ultimately, provide disability claimants with faster and higher quality service. Elimination of paper in the disability process is independent of, but related to, further improvements that the Commissioner has proposed.

Proposed Disability Process Improvements: There is no *one* solution to making the disability decision process faster and better. More efficient processing will require many improvements – some large, some small – to achieve SSA’s Service goal. While the Agency has undertaken indirect improvements to its current process, the Agency’s strategic initiatives fall into two main categories:

- A new approach to the disability determination process in order to improve accuracy, consistency, and timeliness of decision making throughout the process. As part of the new process, the Agency is continuing implementation of the electronic disability project; and
- A *Comprehensive Work Opportunity Initiative* to assist individuals with disabilities who want to become more economically self-sufficient through employment.

In July 2005, the Agency proposed regulatory changes to the disability determination process. Specifically, these improvements will:

- Establish a *Quick Disability Determination Process* through which State agencies will expedite initial determinations for claimants who are clearly disabled;
- Create a *Federal Expert Unit* to augment and strengthen medical and vocational expertise for disability adjudicators at all levels of the disability determination process;
- Eliminate the State agency reconsideration decision and terminate the *Disability Prototype* that the Agency currently pilots in 10 States;
- Establish Federal reviewing officials to review State agency initial determinations upon the request of claimants;
- Preserve the right of claimants to request and be provided a *de novo* (new) review hearing, which will be conducted by an Administrative Law Judge (ALJ);
- Close the record after the ALJ issues a decision, but allow for the consideration of new and material evidence under certain limited circumstances;
- Gradually shift certain Appeals Council functions to a newly established Decision Review Board; and
- Strengthen in-line and end-of-line quality review mechanisms at the State agency, reviewing official, hearing and Decision Review Board levels of the disability determination process.

This new disability process preserves many significant features of the current system. Initial disability claims will continue to be handled by the Agency's Field Offices; employees in the State DDS offices will continue to establish the severity of a person's medical condition; and ALJs will continue to conduct hearings and issue decisions.

One reason it is essential for the Agency to make the right decision in the disability process as early as possible is that the current lengthy processes can actually present barriers to an individual's ability to enter or re-enter the workforce. The Agency's *Comprehensive Work Opportunity Initiative*, supports the new disability approach with several demonstration projects designed to overcome barriers to employment during the application and adjudication process, and afterward.

The *Early Intervention* project will offer interventions to a nationwide sample of DI applicants with impairments that may be reasonably presumed to be disabling (i.e., they are likely to be awarded DI benefits) and who are likely to return to work as a result of the program. The interventions will address multiple barriers to employment. For example, a participating applicant may have access to a wide range of employment services, a one-year cash stipend equal to the applicant's estimated DI benefit, and access to appropriate health care.

The *Accelerated Benefits* demonstration project will provide immediate health benefits and employment supports to certain newly entitled DI beneficiaries who have medical conditions that are expected to improve or could possibly improve with access to appropriate medical care. Under current law, most DI beneficiaries must wait 24 months after cash benefits begin before they become eligible for Medicare. Thus, many people have no health insurance and limited access to medical care during a period of time when access to those resources might serve to help improve their medical condition, thereby increasing their ability to improve their self-sufficiency through employment.

The *Interim Medical Benefits* project would provide medical benefits to applicants with no medical insurance during the period of adjudication. This project would both be likely to improve a participating applicant's medical condition and facilitate the development of the necessary documentation for disability adjudication while providing the applicant needed services.

In a further effort to improve the Agency's disability programs, SSA will establish a Disability Program Policy Council to provide a forum to discuss policy issues and to make policy and procedural recommendations. In addition to these initiatives, others aimed at improving the disability determination process include elimination of disability workload backlogs, revising the medical listings, updating vocational policy to reflect market changes (including developing ways of effectively measuring physical and mental requirements of jobs that exist in the national economy), and improving training of disability examiners.

Addressing the Service Challenges Through Programs that Provide Support to Individuals with Disabilities

Currently only a small percentage of disabled beneficiaries work and earn enough to leave the disability rolls. SSA is dedicated to increasing the number of DI beneficiaries and SSI blind and disabled recipients who obtain employment. This will be achieved by ensuring that individuals with disabilities have the opportunity to develop and learn skills, engage in productive work, make choices about their daily lives, and fully participate in community life. There are numerous SSA initiatives to help persons with disabilities toward economic independence.

An Example of SSA Actions to Improve Programs that Provide Support for Individuals with Disabilities

SSA's success in increasing employment will:

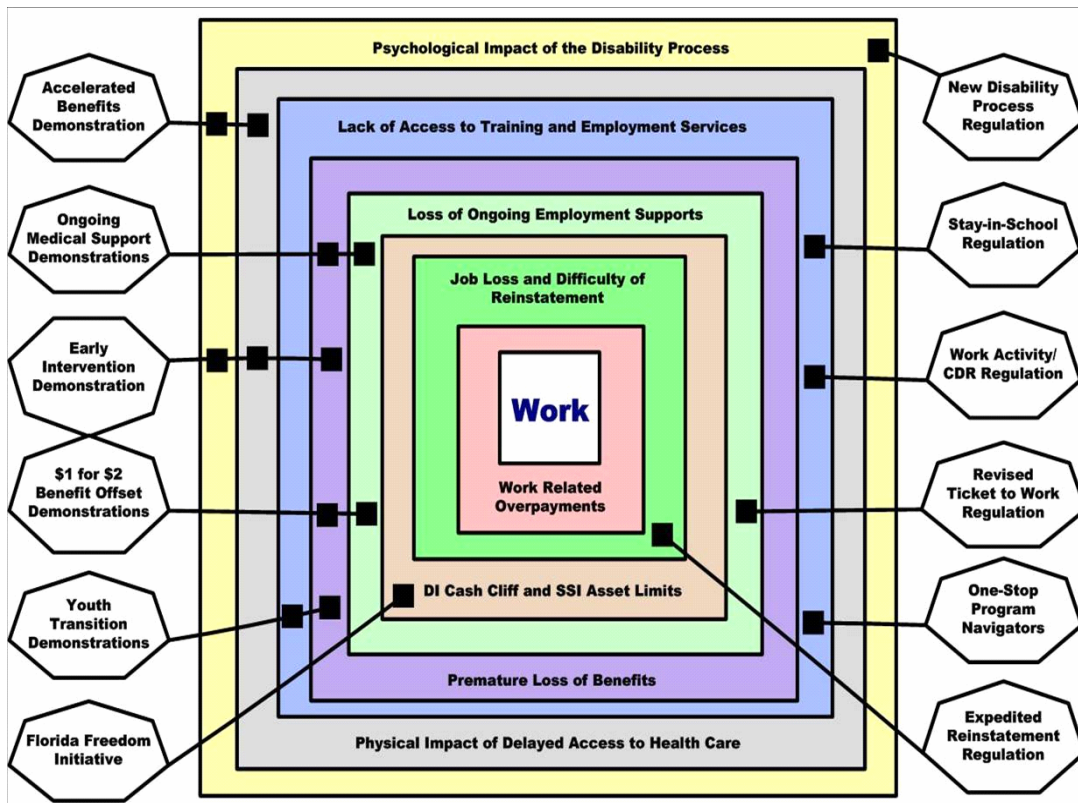
- Increase the number of individuals with disabilities who are working.
- Result in an important contribution to the economy through the talents and earnings of these individuals.

Social Security is looking at the concept of disability in a different way, and we are looking to serve individuals with disabilities in a different, more effective way. The population of individuals with disabilities represents various age groups and who have different impairments, levels of education, work experience, and capacities for working. Many changes in law, medicine, technology, and society have transpired since Social Security's disability programs were established. The workplace has also been made more accessible.

While many individuals with disabilities cannot work at all on a sustained basis, many others want to and can work on a part-time or full-time basis. Unfortunately, despite advances in medicine, law, technology, and society, multiple barriers to work still exist (see chart below). Most individuals with disabilities face more than one barrier, often three, four or more. To effectively assist individuals with disabilities who want to work, Social Security is working to address all barriers. To leave just one barrier standing is to keep a beneficiary from working.

SSA is working to ensure that individuals with disabilities who want to work have the opportunity to do so. Figure 1 illustrates how the *Comprehensive Work Opportunity Initiative* represents the Agency's overarching strategy to assist individuals with disabilities who want to become more self-sufficient.

Figure 1: Comprehensive Work Opportunity Initiative: Overcoming Multiple Barriers to Employment



The *Comprehensive Work Opportunity Initiative* addresses these multiple barriers to employment through a three-pronged approach. First, SSA will strengthen and continue to market the Ticket-to-Work program. Second, the Agency will design, implement and evaluate demonstration projects aimed at supporting the efforts of individuals with disabilities who want to enter or re-enter the workforce. For many of these projects, the Agency will work in conjunction with other Federal and State agencies, such as the Department of Education and Department of Labor, in order to provide support across a broad range of areas. Third, the Agency will continue to develop and offer appropriate legislative and regulatory proposals aimed at encouraging participation by beneficiaries and service providers in work incentive initiatives.

Ticket-to-Work strategies, which directly support the President's *New Freedom Initiative*, include:

- Providing improved marketing materials to beneficiaries with disabilities to increase awareness of the Ticket Program. The Agency will continue to reach out to the communities by means of expositions, meetings, conferences, community forums and media events. SSA focus groups will continue to ensure that the Agency is providing, in the appropriate formats, products Social Security beneficiaries want and need.
- Making benefit planning services more available and usable for beneficiaries to increase their awareness of return-to-work options.
- Focusing on the improvement and expansion of the Agency's partnerships with other Federal, State, community-based organizations and other public agencies, as well as private individuals and groups, who serve Social Security beneficiaries with disabilities.

SSA continues to develop demonstration projects and other innovative initiatives that test strategies to increase opportunities and break down potential barriers for people with disabilities who wish to enter or re-enter the workforce.

- The *Disability Program Navigator*, jointly funded with the Department of Labor, provides seamless employment services to individuals with disabilities seeking to enter or re-enter the workforce. Navigators work in One-Stop Career Centers administered by the State Workforce Investment Boards and provide a critical link to the local employment market and facilitate access to programs and services.
- The *Youth Transition Process Demonstration* assesses ways to facilitate the transition of disabled children from school to independence as adults. Projects will continue to provide services through 2009.
- The *Homeless Outreach Projects and Evaluation* was provided funding by Congress to address homelessness and to support the President's initiative to end chronic homelessness in 10 years. Through cooperative agreements, forty-one service providers nationwide will provide application assistance to homeless populations into 2007.
- The *Mental Health Treatment Study* will test the impact of providing health care to Disability Insurance beneficiaries who have a mental impairment as their primary diagnosis. Study participants will receive access to outpatient mental health disorder treatments and/or vocational rehabilitation (VR) to determine if these interventions have an impact on their ability to return to work.
- The *Benefit Offset Demonstration* will allow the SSA to test the impact and cost of a sliding scale benefit offset for DI beneficiaries and applicants. Under this test, disability benefits would be reduced \$1 for every \$2 a DI beneficiary earns above a given threshold. Under current rules, a beneficiary will lose DI cash benefits after completing a trial work period if earnings are above substantial gainful activity, which in FY 2005 was \$830 per month.
- The *Ongoing Medical Benefits* project will test the effects of providing ongoing health insurance coverage to beneficiaries who want to work, but have no other affordable access to health insurance. The pilot study will target individuals with HIV/auto-immune disorders.

In 2005, SSA proposed revisions to the Ticket-to-Work regulations. The changes to the current rules seek to improve the effectiveness of the program in assisting beneficiaries who want to become more economically self-

sufficient through employment. The changes would: 1) expand the population of individuals eligible for Tickets to include individuals who are medically expected to improve; 2) change the rules for Ticket assignment to enable beneficiaries to take advantage of a richer combination of services from both VR agencies and Employment Networks (ENs are private organizations or government agencies that work with Social Security in providing employment services to beneficiaries with disabilities); 3) modify the EN payment systems to accelerate payment to ENs serving title II beneficiaries. This, we believe, will increase the incentive for small or undercapitalized providers to participate as ENs. The changes will also lessen the difference in payment amounts under the outcome-milestone payment system, as compared to the outcome payment system.

Full implementation of the Ticket-to-Work and Work Incentives Improvement Act also involves two complementary programs:

- Through the *Benefits Planning, Assistance and Outreach* program, Social Security partners with community-based organizations to provide work incentives planning and assistance directly to Social Security's beneficiaries with disabilities, including conducting outreach efforts to beneficiaries and their families. Social Security awarded 114 cooperative agreements for projects in all 50 States, the District of Columbia and the United States Territories. These awards allow eligible beneficiaries to participate in Federal and State work incentive programs, as the grantees provide information, advice and counseling to eligible beneficiaries on supports provided by other Federal, State and local work incentive programs. Some 53,000 beneficiaries each year receive direct services from grantees.
- Nationally, SSA's *Protection and Advocacy for Beneficiaries of Social Security* (PABSS) projects provide a broad range of advocacy related services to beneficiaries with disabilities. These include providing information and advice about obtaining VR and other related employment services, and advocacy or other services that a disabled beneficiary may need to secure, maintain or regain gainful employment. The *Social Security Protection Act* reauthorized and extended the PABSS program through FY 2009. Social Security will soon announce the Work Incentives Assistance Program Grants to State Protection and Advocacy Systems for the period December 1, 2005 through November 30, 2006.

Legislative and Regulatory Proposals: Social Security has proposed other changes aimed at breaking down barriers to work including modifying rules regarding Continuing Disability Reviews (CDRs) for some beneficiaries in order to remove the potential disincentive of work activity within the Ticket program. The Agency has recently made several final regulatory changes to remove barriers to employment including: 1) allowing the continuation of benefit payments to certain individuals who are participating in a program of VR services, employment services, or other support services and extending eligibility for continuing benefits to students age 18 through 21 who have an individualized education plan; and 2) providing an expedited process for benefit reinstatement if a former beneficiary with a disability is no longer able to work.

The SSA will continue to evaluate potential ways to further assist individuals with disabilities who are interested in working or returning to work.

Addressing the Service Challenges Through Use of Technology

Advances in information technology are essential in meeting the Agency's future productivity challenges. The Social Security Advisory Board noted that the combination of dramatic workload growth and SSA's employee retirement wave "will place extraordinary pressures on the Agency to meet the public's need for service." In the face of these challenges, adapting technological solutions is essential to maintaining efficiency and supporting Agency employees who deliver the level of service that the American public has come to expect from SSA.

Examples of How SSA Actions Have Improved Social Security Service Through Technology

- Provided the public with easy and efficient access to SSA services without leaving their homes or workplaces, ultimately saving time and resources for the public.
- Improved Agency productivity and service through increased processing efficiencies.
- Conserved Trust Fund and general revenue monies.

SSA continually assesses the service needs of the public to determine how the Agency can meet those needs appropriately, efficiently and timely. An essential element in this process is the active involvement of the public in determining the form and content of the services they want and need. In order to maximize the availability of automated telephone and Internet service delivery options, SSA takes advantage of technological advances and related policy changes that respond to the public's needs. Improvements in electronic service options benefits the public, whether they receive services through Agency employees or use direct services such as the Internet or the automated telephone services.

The President's Management Agenda (PMA) requires Federal agencies to use modern technology to provide high quality service, improve access to services, and reduce costs. SSA is committed to achieving the goals of expanded electronic government while ensuring the security of its information infrastructure. By improving systems security and controls, the Agency can use current and future technology more effectively to fulfill the public's needs.

With the growing number of services and increased sophistication of online governmental and private transactional services, the expectations of the public for Internet services are greater than in the past. SSA continues to develop cost-effective Internet services. Responding to the needs of its service population, SSA strives to develop or enhance applications that are fully electronic. Such applications allow individuals to complete transactions at the initial point of contact, whether online or through the 800-number automated service. The Agency continues to expand use of these services by improving their availability, encouraging the public to use the Agency's Internet website, and partnering with other governmental and private entities to promote integrated service delivery.

For the foreseeable future, the automated telephone service remains one of the Agency's important service channels and one of the more effective ways in which the Agency provides service. SSA takes the necessary steps to ensure that telephone service is provided at a level of excellence. The Agency has taken steps to automate more calls and to minimize the time it takes a caller to select a service. The implementation of speech recognition technology has reduced the time callers spend navigating through menu prompts and has reduced manual workloads.

Specific strategies for improving service through technology include:

Electronic Government-to-Public

- *Social Security Online*, the official Social Security website (www.socialsecurity.gov), attracts over 33 million visitors a year. This has eased demands for direct service by SSA's 800-number and Field Office staff.

In response to the devastation that resulted from Hurricane Katrina, SSA initiated its emergency procedures plan. A special website was established with up-to-date information for people affected by hurricane Katrina. In addition to information about what to do in cases where claims were already filed, or how to file a claim for benefits, the website included a listing of temporary Social Security offices. Social Security representatives in the temporary offices in Georgia were available 7 days a week. Beneficiaries who were unable to access their Social Security funds could go to any open Social Security office and request an immediate payment. SSA worked closely with the Federal Emergency Management Agency to staff emergency centers in areas where Social Security offices were closed.

- *Frequently Asked Questions*, a cornerstone feature of the website, provides answers to over 19 million client inquiries each year.
- *E-Mail Inquiries* is a service provided to clients who have used the *Frequently Asked Questions* and did not find an answer. SSA responded to over 513,000 inquiries by e-mail through FY 2005, providing another direct service option in addition to the 800-number and Field Office services. Of the total inquires, 15,000 were from employers and 2,400 from persons who needed responses in Spanish.
- *Field Office Locator* is an application on the Agency website that provides instant access to the location of every SSA Field Office by ZIP code. The street address, office hours and directions to the office are provided through these channels. Listings of local social service agencies are also available. In FY 2005, SSA responded to over 10 million requests for Field Office locations.

In addition to providing easier access to information, expanded electronic service delivery is critical to keeping up with growing workloads and providing more timely service. SSA developed a portfolio of services to provide online transactions and increased opportunities for the public to conduct Agency business electronically in a private and secure environment. Accomplishments in this area include:

- *Internet Social Security Benefit Applications* that allow the public to apply for Social Security retirement, spouse and disability benefits online. In FY 2005, approximately 264,617 applications for Social Security benefits were submitted online through secure Internet connections.
- *Improved Speech Recognition* through SSA's automated 800-number service allows citizens to interact with an automated program by speaking options instead of using the numeric keypad on the telephone. Automated telephone applications allow callers to access claims, benefits and related programmatic information. Requests for replacement Medicare cards and proof of income letters have joined Applications for SSN, requests for *Social Security Statements* and pamphlet requests as speech-enabled services. In July 2005, additional speech technology was implemented that automated the Change of Address and Direct Deposit workloads that formerly were processed by 800-number agents.
- *An Electronic "Signature Proxy" Process* that is an alternative to pen-and-ink signatures on benefit applications. It is used by claimants who file online, by telephone, on the Internet or in person. This feature continues the Agency's progress toward a fully electronic environment. Signature proxy provides relief for printing, routing, folder preparation, mailing, and storage costs. Claimants receive the full benefit of having an automated process. Agency processing service centers realized a decrease of 2,415,597 folders in FY 2005 compared to FY 2003, which was the last year without signature proxy.
- *Electronic Services for Current Beneficiaries* that include requests for changes of address and direct deposit arrangements, replacement Medicare cards, benefit verifications and replacement Internal Revenue Service (IRS) *Form 1099*. Cumulatively, these services using the Internet and 800-number speech recognition features handled over 3 million transactions in FY 2005.
- *Services for the General Public*, which include the Benefits Planner, Online Social Security Statement Request, the Benefit Eligibility Screening Tools and other online and 800-number speech-enabled electronic services, served over 16 million website visitors in FY 2005.
- *Medicare Part D Subsidy Applications* are available online to Medicare beneficiaries with limited income who want to apply for a special premium. The subsidy determination process can also be completed electronically using automated routines and computer matching operations. As of the end of September 2005, more than three million people had applied for the extra help available with Medicare prescription drug costs. The extra help will pay most of the cost of monthly premiums, annual deductibles and prescription co-payments—an average of \$2,100 in extra help per year.

Electronic Government-to-Government: The Agency's initiatives have improved not only SSA services to the public, but also Government-wide services. By establishing partnerships with other agencies, SSA and Government agencies at all levels share best practices and find solutions to common problems. In further support of the electronic Government initiative, SSA participates in 19 of the 24 Presidential electronic Government initiatives and

holds lead responsibility for one of these, *e-Vital*. The *e-Vital* initiative seeks to automate and streamline the current paper-laden processes used to collect, process, analyze, and disseminate death records among Government agencies and others that require access to such data, in accordance with State and Federal laws and regulations.

Electronic Government-to-Government strategies at SSA involve data exchanges with over 4,000 entities to ensure that benefit programs across Government agencies are administered fairly and accurately. Information and data exchanges between SSA and other Government agencies result in programmatic and administrative savings of over \$2 billion each year. In addition, by working together, SSA and other agencies are able to provide timelier, seamless service to the public.

Following are some examples of the many successful SSA data exchanges.

- “*Secondary Payer*” match involves the IRS, SSA and the Centers for Medicare and Medicaid Services (CMS). The three agencies share pertinent data, allowing CMS to identify Medicare beneficiaries who are eligible for private health insurance through a spouse’s employer, allowing for the recovery of Medicare payments from the primary carrier. This *win-win* situation provides better health insurance coverage for the beneficiary along with lower costs to the Government.
- *Veterans Administration Benefit* match allows SSA to determine if a SSI recipient is also receiving a Veteran’s pension or compensation, since SSI payments are reduced for other types of income. It also detects changes to the Veteran’s benefit that allow earlier offset to the SSI payment.
- The *Social Security/Railroad Retirement Board* match allows for automatic exchange of eligibility information needed by both programs. This exchange is needed because each agency’s benefits are computed using information from the other’s program.
- The *Department of Labor and Social Security* exchange facilitates data sharing between State Workforce Agencies and SSA. The exchange permits SSA Field Office employees to obtain unemployment and wage data online. In return, State Workforce Agencies obtain SSN and payment data from SSA. SSA started exchanging data in September 2004. To date, 36 States expressed interest in exchanging data and, of those, 25 signed agreements.
- The *IRS match* is an agreement with the IRS in which SSA receives information about unearned income for use in the SSI program. This match alone saves the SSI program over \$47 million per year.
- The *Help America Vote Act* of 2002 requires SSA to assist the States and designated territories in voter registration by verifying an applicant’s name, date of birth and the last four digits of the applicant’s SSN.
- *Medicare Modernization Act* matches have been negotiated with the IRS, Treasury Department, Department of Veterans Affairs, Railroad Retirement Board and Office of Personnel Management for income verification to determine subsidy eligibility for the new *Medicare Part D* (Prescription Drug coverage). SSA is responsible for determining an applicant’s income and resources to determine whether the applicant is eligible for a subsidy, and if so, the amount of the subsidy.
- The *American Association for Motor Vehicle Administration* and the Agency have multiple agreements through which SSA provides SSN verification for drivers’ licenses and applications for State-issued identification cards.

Electronic Government-to-Business: SSA has made improvements in its service to employers. Current electronic Government-to-Business strategies include automating wage reporting by employers to SSA and employer verification of new employees’ SSN and identification information. These services continually are being improved and expanded to better serve the business community and to obtain additional efficiencies in SSA operations.

Accomplishments to date include:

- SSA placed third for *Business Services Online* among the *Digital Government Achievement Awards* that were announced in October 2004 by the Center for Digital Government. The award program recognizes outstanding agency and department websites and applications that enhance interactions, transactions and/or services in the area of Government-to-Business.
- *Electronic Wage Reporting* simplifies the process for businesses by allowing them to submit employee wage reports online. The service also includes the *AccuWage* tool for businesses that improves reporting accuracy and reduces the volume of error correction and necessary follow-up contacts. In tax year 2003, 60 percent of all employee wage items (*Forms W-2*) were submitted electronically. As a result of SSA's marketing and outreach efforts, 64.5 percent of all 2004 wage items received through July 2005 were submitted electronically.
- *W-2 Online* is a service that meets the needs of small businesses by providing online entry and printing of *W-2* wage and tax statement forms for distribution to employees. The Internet-based system also sends the wage and tax information to SSA, saving time and money for both the employer and the Agency.
- *SSN Verification Service* allows employers to verify SSNs and names online. Matches of up to 10 name and number combinations can be performed immediately, while larger batches of up to 250,000 are verified and the results electronically delivered to employers the next business day. This service was implemented on June 1, 2005; and, in the first 2½ months, 3,868 employers were authorized to use the service, with 200,000 names and SSNs being verified. Automating the process reduces staff and administrative time constraints for both SSA and employers and provides timely service to the business community. The system holds great promise. SSA is proceeding carefully to ensure that the system is secure, as well as user-friendly.

Opportunities still exist to make improvements in the electronic wage reporting service. Over the next several years, SSA will eliminate the use of tapes, cartridges and diskettes in an effort to increase electronic reporting over the Internet. This coincides with SSA's plans to accommodate more business by way of the Internet, improve earnings products and services for employers and employees, and improve the earnings establishment, correction and adjustment processes.

Improvements to the Hearing Process: In an effort to enhance public service, SSA continued to implement technology initiatives. Video hearings allow the Agency to reach more claimants in remote areas, reducing the time it takes to schedule and hold a hearing for these individuals. In FY 2005, SSA increased the number of video hearing sites to 297, and held 24,999 video hearings. This represents a 198% increase over last year.

Another technology improvement at the hearings level was the installation of digital recording equipment to replace analog cassette recorders, and to provide an electronic recording that is compatible with, and can be uploaded to, the electronic folder. The digital system offers improved sound quality, more stable storage capability, reduced archival storage needs, and greater functionality. The new equipment was installed and employees were trained in 105 sites during FY 2005. Over 117,000 digital hearings have been recorded since December 2003, eliminating the potential of lost tapes in these cases.

Other Technology-Supported Initiatives: SSA continually looks for ways to increase automation and eliminate labor-intensive, manual processes. For several years the Agency concentrated on improvements to the OASDI claims and post-eligibility processes. SSA's focus has now shifted to automating provisions of the *Medicare Prescription Drug Improvement and Modernization Act of 2003*. While CMS are primarily responsible for implementing the legislation, SSA plays an important role in determining whether individuals are eligible to receive a premium subsidy for the new prescription coverage that begins in 2006.

Supplemental Security Income Postentitlement Modernization: The *Modernized Supplemental Security Income Claims System* is used to process SSI initial claims and postentitlement actions. Automation enhancements in the

system help improve the quality of data used to determine payment and eligibility, increase productivity and improve customer service. Software improvements implemented during FY 2005 include:

- A new central SSI database where a single report of income will update all related records. This enhancement is a major step towards improving customer service. It reduces follow-up contacts with the reporter and is a major step towards improving payment accuracy.
- An application in the SSI system that automates the transfer of cases among offices. This provides managers the flexibility to redistribute workloads to make optimum use of Agency resources.
- Enhancements to the SSI system for use when a couple receiving SSI payments separates. The record must then be adjusted to reflect that each will receive benefits independently. In the past, the creation of one record was possible through the automated system with the second record needing to be controlled and established manually.

Social Security Unified Measurement System is considered a key enabler in monitoring and reporting on Agency progress toward achieving its strategic goals and objectives and tracking resource expenditures. The objective of this system is to count and measure work in a consistent manner at all organizational levels. It provides the detailed information that managers need to monitor service, forecast workloads and make informed decisions on how best to manage work and resources. Access to standard reports, such as processing time reports, is the web portal *MI Central*. This portal provides management information to managers and technicians who simply select the needed report or listing from a list on the computer screen. The current information is displayed at the desktop. In addition, *ad hoc* reports, when needed, can be obtained from the databases using available analytical computer programs.

Strategic Goal 2: STEWARDSHIP

To ensure superior STEWARDSHIP of Social Security programs and resources

STEWARDSHIP Challenges:

- Integrity of the Supplemental Security Income Program
- Improper Payments
- SSN Integrity and Protection
- Internal Control Environment and Performance Measures
- Strengthen Controls to Protect the Personal Information SSA Develops and Maintains
- Critical Infrastructure Protection and Systems Security
- Representative Payee

Strategic STEWARDSHIP Objectives that Address the Challenges:

- Prevent Fraudulent and Improper Payments and Improve Debt Management
- Strengthen Integrity of SSN
- Increase the Accuracy of Earnings Records
- Efficiently Manage Agency Finances and Assets and Effectively Link Resources to Performance Outcomes

PMA Initiatives Related to STEWARDSHIP:

- Competitive Sourcing
- Improved Financial Performance

- Budget and Performance Integration (including PART requirements)
- Improper Payments (Program Initiative)
- E-Government

Addressing the Stewardship Challenges Through Preventing Fraudulent and Improper Payments and Improving Debt Management

This objective encompasses SSA's efforts to ensure that SSA pays the right person the right amount. It includes activities for preventing and detecting payment error and fraud, and extends to recovery of overpayments and payment restitution.

Examples of How SSA Actions Help Prevent Fraudulent/Improper Payments and Improving Debt Management

- Ensures that the public receives the benefits they are due.
- Assures taxpayers that Trust Fund money and general revenue funds are correctly administered and disbursed.

The following discusses ways that SSA prevents, detects and corrects improper payments. (Also, see the Appendix, *Improper Payment Information Act of 2002 Detailed Report*.) The Agency is responsible for benefit payments that annually exceed \$500 billion. The **STEWARDSHIP** of these dollars is one of its primary goals. The program initiative, *Eliminating Improper Payment*, within the PMA (see page 47) is addressed by this strategic objective.

In FY 2005, SSA targeted initiatives that have the most potential to improve the integrity of the Agency's programs across three fronts: improper payment prevention, improper payment detection and debt collection, which is the recovery of overpayments. Particular emphasis has been given to the improvement of the more error-prone SSI program. Some of these initiatives are discussed in greater detail below:

Prevention and Detection Activities:

- *Medical CDRs:* These reviews help ensure the integrity of the disability program through which SSA determines whether beneficiaries will continue to be entitled to benefits based on their medical conditions. The Agency has made progress in its efforts to improve the CDR profiling process and procedures. Profiles permit the Agency to target cases for intensive review only where medical improvement is much more likely. Those reviews dealing with severe impairments can be processed with a limited contact that investigates only if there has been a change in the beneficiary's condition or work activity. As a result of ongoing research efforts, the Agency is now able to process substantially more than half of the CDRs required by statute by using statistical scoring model screening. At the same time, SSA continues to focus on large-scale sampling to maintain program integrity while it explores new technologies, such as selected searches for information (text mining), to determine if further efficiencies can be realized. The President's Budget for FY 2006 would earmark funds for conducting increased numbers of CDRs. CDRs have proven to be cost-effective, returning more than \$10 for each \$1 spent on this workload.
- *E-Work System:* SSA has developed a means of controlling and processing work called *e-Work*. The *e-Work* system allows for improved coordination between Field Offices, enabling earnings information to be recorded at the point-of-contact, thereby reducing the occurrence of overpayments. Work CDRs are used to develop and evaluate the worth of the beneficiary's earnings to determine if disability benefits should continue or cease. The *e-Work* system replaced a manual, labor-intensive process, allowing SSA employees to process work CDRs more efficiently, timely and accurately. The system also provides a mechanism to collect reports of earnings

for SSI recipients and issue receipts of such reports to both DI work CDR beneficiaries and SSI recipients. The application will provide improved management information and tighter controls on the work CDR process. The application went live in 107 test offices across the country on January 2004, and was implemented nationwide in FY 2005.

- *SSI Non-Disability Redeterminations:* These redeterminations are used to detect and prevent SSI overpayments. Required by law, the redeterminations are periodic reviews of non-medical factors of SSI eligibility. In FY 2005, almost one-third of the SSI recipients had their eligibility reviewed at some point during the year. The estimated benefits from the FY 2004 redeterminations totaled nearly \$2.4 billion in overpayments collected or prevented and almost \$1.3 billion in underpayments paid or prevented. In FY 2005, approximately 1.7 million periodic redeterminations were processed.
- *Computer Matching Activities:* SSA's extensive computer matching programs, a few of which are discussed in the earlier section on *Electronic Government-to-Government*, ensure that entitlement to benefits should continue and that payment amounts are accurate. These automated matches are done on an ongoing, periodic basis (usually monthly) and alert SSA to such events as nursing home admissions, changes in prisoner status, deportation, and recent employment of individuals paying child support.
- *Wages and Bank Accounts as a Source of Improper Payments:* SSA is addressing two high sources of improper payments, unreported wages and unreported resources.
 - Wages
A monthly wage reporting process is designed to post earnings faster and prevent overpayments to SSI recipients whose earnings fluctuate from month-to-month. SSA also has finished an analysis of the effectiveness of monthly wage reporting by touch-tone and voice recognition telephone reporting. Additionally, a separate year-long SSI wage reporting test is being conducted in Kansas City and utilizes a centralized unit to process wage reports which are mailed in by reporters. This centralized wage reporting test will be evaluated when it comes to an end in December 2005.
 - Bank Accounts
The *Foster Care Independence Act of 1999* gives the Commissioner the authority to require SSI applicants and recipients to provide authorization for SSA to obtain any and all financial records from any and all financial institutions. Refusal to provide, or revocation of, an authorization may result in ineligibility for SSI. In an effort to reduce the amount of overpayments caused by financial accounts, SSA published final regulations in FY 2004 that allow the Agency to verify data electronically with financial institutions. In February 2004, SSA began a proof of concept to test the feasibility of financial institutions accepting electronic bank account verification requests. The proof of concept demonstrated the financial community's support of this process. Based on the proof-of-concept evaluation report completed in September 2004, SSA's executives decided to dedicate future systems' resources to expanding the automated bank account verification system nationwide. Verification requests were returned quickly to the Agency which allows immediate continuation of the SSI application or redetermination. In February 2005, Social Security initiated a study to ascertain the characteristics of cases that are likely to have unreported resources. The results of this study, which are scheduled to be available in January 2006, will be used to increase the effectiveness and efficiency of a future national electronic verification process.
- *Residency Violations:* SSA has tested the feasibility and effectiveness of a new process to detect potential residency violations by examining 6,000 images of SSI checks, looking for those that were endorsed by financial institutions outside the United States. The Agency monitors the withdrawal records from automated teller machines in foreign countries for SSI recipients receiving their benefits by direct deposit.
- *Electronic Death Registration:* Electronic Death Registration provides SSA substantial program and administrative savings and can help prevent and deter fraud, particularly since this State re-engineering effort speeds up the paperbound death registration process. With Electronic Death Registration, the Agency receives more timely and accurate State death data to detect unreported or discrepant dates of death. Payments are immediately stopped for any deceased individual for whom a verified death report is received. This is an automated process accomplished without employee intervention. States must report the data within 5 days of death. The State verifies the deceased's SSN using the *Online Verification System*. SSA has agreements with

22 States and other government entities. Eight contracts have been implemented. However, a successful national rollout of Electronic Death Registration depends on funding and State readiness. The Agency will continue the nationwide expansion of Electronic Death Registration by awarding as many States and other government entities as funding will allow in FY 2006. Provisions of the *Intelligence Reform and Terrorism Prevention Act* that provide grants by the Department of Health and Human Services to States to cross-match birth and death records may speed up Electronic Death Registration rollout beginning in FY 2007. SSA is currently working with the Departments of Health and Human Services and Homeland Security to assess the impact of the *Intelligence Reform and Terrorism Prevention Act* on this initiative.

- *Cooperative Disability Investigation:* This program, which began in 1998, represents one of SSA's most successful anti-fraud initiatives and plays a vital role within the Agency's disability programs. These investigations are a joint effort by the OIG, the State DDS, and the SSA. There are currently 18 Cooperative Disability Investigation units operating in 17 States. Units around the country look into disability claims and later events affecting entitlement that are referred by a DDS or SSA Field Office when fraud is suspected. Based on these investigations, SSA is able to:
 - Prevent payments to recipients who are not disabled.
 - Stop payments for recipients who have disguised or falsified medical improvement or work activity.
 - Reopen cases and stop payments to recipients who should never have been entitled to disability benefits.

In FY 2005, there were 3,198 allegations of fraud resulting in over 2,000 denials/terminations. In 1998, the program accounted for \$2.8 million in savings for SSA. In FY 2005, Cooperative Disability Investigation savings were \$123 million, operating with an annual budget of only \$11.4 million. In addition to tangible program savings, the public's awareness of the Cooperative Disability Investigation program, through such methods as notices, publications and/or online Questions and Answers, has the intangible effect of deterring fraud.

- *Representative Payee:* SSA appoints representative payees for individuals who are incapable of managing or directing the management of their benefits. In FY 2005, about 13 percent of a Social Security beneficiary's and SSI recipient's benefits were paid through a representative payee. Based on concerns of Congress, the media, the Inspector General and advocacy groups, SSA re-examined the representative payee program's operations. The Agency has made a number of improvements and continues to work on ways for continued improvements.

The most significant action SSA took was to implement provisions of the *Social Security Protection Act of 2004*, which gave the Agency additional tools for program stewardship, such as effective oversight of representative payees. The legislation provides for increased monitoring of organizational payees and invokes new sanctions for misuse of benefits. (Organizational payees are generally business entities such as administrators of nursing homes who serve as representative for a group of beneficiaries.) The legislation gives SSA the authority to impose civil penalties on representative payees who misuse benefits paid to them on behalf of Social Security recipients. A penalty of up to \$5,000 can be imposed for any wrongful conversion of benefits, and the representative payee can be assessed damages up to twice the amount of funds misused. The legislation also provides additional protections for beneficiaries who have representative payees, including:

- Additional onsite reviews of organizational payees.
- Enhanced requirements for qualified organizations approved to collect fees for providing payee services.
- Forfeiture of fees for providing payee services in any months benefits were misused.
- Reissue of payment if an organizational payee misuses the benefits.
- Payee liability for any payments misused; the amount will be considered an overpayment to the payee and subject to recovery procedures.

Debt Collection/Overpayment Recovery: Overpayments most frequently occur as the result of late, incorrect or sometimes fraudulent reporting of events that affect a person's eligibility for payment. For those currently eligible to receive a Social Security or SSI payment, the overpayment is withheld from benefits due. For debtors who are no longer entitled, SSA uses its own billing and follow-up system to collect overpayments. SSA's billing and follow-

up system sends a series of progressively stronger-worded notices requesting repayment. If the debtor has not responded, telephone calls are made to negotiate payment with the debtor. In other cases, where no Social Security or SSI benefits are payable, the debt is referred to the *Treasury Offset Program* to recover the overpaid amount from Federal tax refunds and other Federal payments. In addition, SSA refers delinquent debts to credit bureaus to encourage repayment. In February 2005, SSA implemented the *Administrative Wage Garnishment* initiative. This allows employers to begin wage withholding from the debtor's wages to recover an overpayment. The same *Social Security Protection Act of 2004* that gave the Agency tools for monitoring representative payees also authorized cross-program recovery of benefit overpayments. The legislation allows SSA to recover overpayments paid under one program from the benefits paid under another program. It provides for withholding up to 100 percent of any retroactive payments due but not yet paid and 10 percent of ongoing monthly benefits for Social Security beneficiaries. New rules were published in the *Federal Register* to amend Agency regulations to implement SSA's expanded authority to use cross-program recovery to collect overpayments. The final regulations were published on November 30, 2004.

Agency strategies for increasing the recovery and resolution of overpayments also include:

- Identifying former SSI recipients whose overpayments had been determined to be uncollectible, but who are again receiving SSI and/or Social Security payments. From March 2004 until June 2005, \$67 million in SSI debt has been detected and \$10 million has been recovered.
- Building a scoring system that prioritizes overpayments that are not in a collection arrangement. This supports decisions to bring debt workloads into balance with operational resources, and ensures that resources are expended on the debt with the highest potential for recovery.

Addressing the Stewardship Challenges Through Improvements to the SSN Issuance Process

The original purpose of the SSN was to allow identification for an accurate record of earnings in order to pay a benefit amount based on those earnings. This still is the purpose of the SSN and the primary reason that SSA assigns numbers and issues cards. Over time, however, the SSN has become a growing means of personal identification in both the public and private sectors. As use of the SSN has grown, so has identity fraud.

Examples of How SSA Actions Strengthen the Integrity of the SSN

- Ensures that SSNs are assigned appropriately.
- Supports efforts to increase domestic safety and the security of the Nation's borders.

A SSN can aid in the ability to obtain services and State-issued licenses, conduct financial business, and gain access to information in various databases. As such, it is a powerful tool that can be used to engage in fraud or terrorism. The Social Security Advisory Board, the GAO, and SSA's OIG all have identified SSN misuse as one of the Agency's major management challenges during the next decade. Misuse occurs when:

- A person uses fraudulent documents to establish an entirely new "fake" identity;
- A person illegally acquires a number, or uses someone else's number; or
- An impostor steals and assumes the identity of another.

Identity fraud generally is not the result of an action or lack of action taken by SSA. Identity theft resulting from infiltration of a bank's database, for instance, cannot be controlled by SSA. SSA does, however, have a role in preventing and detecting SSN fraud through developing and implementing policies and procedures in partnership with other Government entities, particularly in terms of homeland security.

The Agency has taken many steps to strengthen its capability to prevent those with criminal intent from obtaining and misusing SSNs. The Agency is working closely with the Department of Homeland Security (DHS) to develop a web-based verification system that will expedite the non-citizen immigration and work status verification process. To further curtail the use of fraudulent immigration documents to get a SSN, the Agency established a cooperative program with DHS and the Department of State. The program allows certain non-citizens to apply for a SSN with the State Department when applying for a visa to enter the United States. SSA is working on systems enhancements for this program, which will allow for the expansion of additional non-citizen categories.

The *Intelligence Reform and Terrorism Prevention Act* requires the Agency to further improve its document verification processes, SSN and card security, and SSN verification systems. In consultation with the DHS, an interagency task force will be formed for the purpose of establishing SSN and card security requirements, including standards for safeguarding cards from counterfeiting, tampering, alteration, and theft and for verifying documents submitted for the issuance of replacement cards. The task force will also develop and allow for enforcement actions against the fraudulent use of SSN and cards. SSA will be responsible for the implementation of the security requirements.

In FY 2005, SSA's strategies to improve the SSN issuance process (also known as *enumeration*) included the following:

Increasing reliance on evidence other than that submitted by the applicant: A program designed to assign SSNs based on data collected as part of the immigration process was implemented in 2004. Known as *enumeration-at-entry*, SSNs are assigned based on data collected as part of the immigration process, relying on information that has already been received and verified by DHS. Subsequently, SSA and the Departments of State and Homeland Security worked together to expand the program to other groups of aliens. In FY 2005 and continuing into FY 2006, SSA is working with State and DHS to further expand enumeration-at-entry to certain non-immigrants whose visas are generated by petitions from employers, and to non-immigrants in the United States who are applying for employment authorization documents.

Tightening other evidentiary requirements: SSA requires mandatory interviews for all SSN applicants age 12 or older. SSA also has made regulatory changes regarding the evidence required from applicants who are students admitted to the United States to pursue an education. These students also must provide evidence that they are entitled to on-campus employment in order to be assigned a SSN. This is in the form of either an employment authorization document from DHS or evidence from the school that identifies the employer and the nature of the employment.

Enhancing Verification processes: SSA has ongoing projects to improve SSN verification processes and is planning and developing additional improvements, such as providing fraud alert information and death information to additional users, as required by the *Intelligence Reform and Terrorism Protection Act* of 2004. SSA is also planning other enhancements to verification systems to include easier-to-use and more consistent responses, and tighter control of user access.

In April 2005, SSA opened its second Social Security Card Center in Las Vegas, Nevada to provide better public service and exercise better program stewardship by concentrating all SSN business within a particular service area in a single facility. The first Social Security Card Center has been operating in Brooklyn, New York since 2002. These facilities are staffed with highly trained specialists. All applicants living within geographic locations serviced by a Social Security Card Center must go to that Card Center to transact SSN business.

In March 2005, the use of a new program, the *SS-5 Assistant*, became mandatory. This is a mechanism through which Social Security card issuances are generated. (*SS-5* is the form an applicant completes for a new SSN or replacement card.) This new program addresses many of the limitations of the prior system and improves the quality of the Social Security card application process. The *SS-5 Assistant* program ensures that completed SSN applications are in compliance with policy requirements regarding evidence, verification and documentation.

SSA is committed to enhancing the stewardship of the SSN and card process to prevent vulnerabilities in the assignment and issuance processes. A new integrity review process was developed in November 2004 to target areas prone to fraud and abuse. During 2005, changes to documentation requirements and automation efforts, including the implementation of the *SS-5 Assistant*, increased the integrity and streamlined the Social Security card process. For security reasons, descriptions of these changes are not available to the general public. In July 2005, the selection process for issuances to be investigated was then updated to focus on the areas that are still susceptible to fraud and abuse within the SSN assignment and card issuance processes.

Addressing the Stewardship Challenges Through Increasing the Accuracy of Earnings Records

Maintaining accurate records of earnings is critical to effective stewardship of SSA's programs and resources. SSA uses earnings records to determine whether an individual has earned enough wage credits to be eligible for benefits, as well as the amount to be paid. Each year, about 96.5 percent of the 250 million wage items submitted annually by employers are initially assigned correctly to individual workers' records. The remaining items contain names or SSN that do not match an individual's record. SSA uses numerous electronic processes and works with employers and individuals to match these wage items to the correct records. Despite these efforts, approximately 3 percent of the wage items submitted to SSA still cannot be assigned to an individual earnings record. These earnings remain in the *Earnings Suspense File* while attempts continue to determine the correct individual earnings record. For those items posted to the suspense file the Agency has underway an extensive effort using sophisticated data matching and scoring techniques to post earnings to the correct record.

Examples of How SSA Actions Increase the Accuracy of Earnings Records

- Ensures that Americans receive the full Social Security benefits to which they are entitled.
- Protects the trust funds by ensuring that benefits are being paid accurately.
- Increases the public's confidence in the reliability of the Social Security system.

SSA provides employers with the *AccuWage* software application to identify most of the common format errors in wage submissions prior to electronically submitting the reports. SSA notifies employers who have submitted wage reports with a significant level of error, requesting that they provide corrected information to the Agency within 60 days. SSA maintains a comprehensive website designed especially for employers and the business community at <http://www.socialsecurity.gov/employer>.

In addition, SSA has an employer education campaign in place to tell employers about electronic reporting through promotional materials, conferences, articles for trade publications and direct contact. Included in the campaign are visits with large payroll service providers and other companies to educate and encourage them to report earnings electronically. SSA also encourages the use of the Agency's *Business Services Online* webpage, a suite of business services related to electronic wage reporting; and the ability of registered users to view the processing status, errors and error notices for their wage files and/or wage reports.

SSA continues to send out annual *Social Security Statements* to eligible individuals age 25 and over who are not yet in benefit status. Individuals are asked to review their earnings history for completeness and accuracy and to notify SSA if they believe any of the information is incorrect.

SSA gathers and analyzes baseline information concerning the effect of these initiatives on the accuracy of posted earnings and growth of the *Earnings Suspense File*. Based on this analysis, SSA continues to examine its key outcomes and strengthen its performance accordingly.

Addressing the Stewardship Challenges Through Efficiently Managing Agency Finances and Assets, and Effectively Linking Resources to Performance Outcomes

Three aspects of SSA's response to the **STEWARDSHIP** challenges also relate directly to the PMA. Discussions on *Budget and Performance Integration*, *Improved Financial Performance* and *Competitive Sourcing* can be found in the subsection beginning on page 46. The remaining initiatives, which relate both to Agency stewardship and challenges, are discussed in this section.

Examples of How SSA Actions Efficiently Manage Agency Finances and Assets and Effectively Link Resources to Performance Outcomes so Taxpayers are Assured:

- Tax dollars buy more and go further every year.
- Tax dollars are properly managed.
- Tax dollars are spent wisely and responsibly for the greatest public benefit.

SSA's stewardship initiatives include the following:

Management Information Improvements: Timely, useful and reliable data is necessary for internal and external decision-makers to support effective management. This includes performance evaluation, resource allocation, and workload prioritization. The responsibility for ensuring that performance and financial data are available, valid and reliable extends to all segments of the Agency.

The *Managerial Cost Accountability System* is considered a key enabler in monitoring and reporting on Agency progress toward achieving its strategic goals and objectives and tracking resource expenditures. This focuses on providing critical performance and financial information needed by managers and staff. The system processes a variety of data from widely dispersed Agency processes, programs, workloads and financial systems, and combines the data into a modern managerial accountability system. The system promotes performance accountability for the programs that SSA administers. For example, detailed managerial cost accountability information could be used to identify which of SSA's approximately 1,300 Field Offices has a particularly high production or efficiency rate, and hence lower costs per unit of work, for a particular workload. Best practices for processing that workload could then be identified and shared with all Field Offices.

The Agency's Security Plan: As required by the *Federal Information Security Management Act*, the *Security Plan* documents SSA's initiatives to develop, implement and maintain an Agency-wide security program. It is an essential part of ensuring the confidentiality and integrity of Agency data and the protection of SSA's large-scale computers. The plan covers continuous security controls in the following major areas:

- *Rules of Behavior and Personnel Controls* that include separation of duties, individual accountability and application of the principle of "least" privileges, i.e., individuals are given only the level of access needed to do their jobs. These controls also include criteria determined by the Office of Personnel Management to identify position-sensitive risk levels for automated information systems.
- *Training* that is a three-pronged program that includes basic awareness training for all employees, training adaptable for employee-specific needs and education for employees whose primary responsibility is security.
- *Incident Response Capability* includes a Security Response Team formed to address threats against the Agency's electronic systems and to assist the workforce with handling systems security incidents.
- *SSA's Risk Management Program* ensures a continual review of the automated systems critical to SSA's mission. SSA uses a number of approaches to satisfy risk management requirements, including risk analysis, risk management reviews, a consolidated integrity review process and a systems security life cycle process. Security personnel are included and consulted at each stage of systems development.

Contingency Planning and Disaster Recovery: SSA's contingency planning is designed to minimize the occurrence of situations that could compromise the confidentiality and integrity of Agency data, the availability of resources and the services needed to continue essential business operations. To ensure the continuity of essential operations in an emergency situation, a series of presidential *Executive Orders*, presidential directives and preparedness circulars mandate the development of *Continuity of Operations Plans* for all Federal agencies.

These directives, including a *Homeland Security Presidential Directive* issued in December 2003, call for a national-level effort to ensure the security of interconnected infrastructures for Federal, public and private entities, and provide for protection plans covering national assets from physical and cyber attacks. SSA established an Agency-wide Critical Federal Infrastructure Protection Workgroup that developed a plan outlining a comprehensive approach for the protection of cyber systems, physical security and for continuity of operations.

Safety and Physical Security Practices at SSA comply with the Federally-directed alert level mandated by the DHS. SSA identifies and addresses new vulnerabilities and replaces aging equipment when its shelf life ends. Additionally, expanded environmental health and safety programs ensure all Agency employees work in safe surroundings. Guards are on duty at all SSA offices during working hours. Agency practices also provide for education and resources committed to preventing accidents and exposures to potentially dangerous conditions, and to respond in the event of environmental health hazards or other dangerous situations.

The Agency Information Technology Infrastructure: The information technology infrastructure supports all of SSA's programmatic and administrative workloads. Most Agency service delivery channels rely on this sophisticated and complex basis of computer operations. The information technology policies provide for periodic hardware and software upgrades, technology refreshments and improved economies-of-scale in the information technology environment. The foundation of this aspect of Agency policy rests on three operational basics:

- *Availability* – Users have access to information technology services during the hours of operation of SSA's Field Offices, and toll-free telephone service is available to the public from 7 AM to 7 PM. Recorded information and services are available at the toll-free telephone service 24 hours a day. Online services and claims are available to the public from 5 AM to 1 AM Monday through Friday, 5 AM to 11 PM on Saturday and 8 AM to 11:30 PM on Sunday.
- *Stability* – The services are continuously available during expected access hours, barring even brief outages.
- *Maintainability* – Information technology hardware and software is widespread, critical production use is maintained at near-current release levels to ensure quality support service from vendors and suppliers.

Strategic Goal 3: SOLVENCY

To achieve sustainable SOLVENCY and ensure Social Security programs meet the needs of current and future generations

For many years Social Security's Trustees have called for changes to be made to Social Security sooner rather than later to protect future generations. As the Required Supplemental Stewardship Information Section of the PAR (*see page 143*) shows, there is a present value shortfall of \$4 trillion over the 75-year period, which means Social Security would need \$4 trillion today earning interest to cover the 75-year shortfall. In 2017, Social Security benefit payments will exceed income and payroll taxes received. By 2041, if no changes are made, the Trust Fund will be exhausted and benefits would have to be cut by 26 percent in that year.

The aging of America and the future of Social Security are critical issues facing all Americans. In his 2005 State of the Union address, President Bush said:

One of America's most important institutions—a symbol of trust between generations—is also in need of wise and effective reform. ... And so we must join together to strengthen and save Social Security. ... We must make Social Security permanently sound, not leave that task for another day.

President George W. Bush, State of the Union Address, February 2, 2005

The Senate unanimously passed a resolution on March 15, 2005 that included the following:

It is the sense of the Senate that the President, the Congress, and the American people ... should work together at the earliest opportunity to enact legislation to achieve a solvent and permanently sustainable Social Security system.

(S. Con. Res. 18, CQ Vote #46: Adopted 100-0; R 55-0; D 44-0; 11-0, 3/15/05)

SSA's role in solvency is clearly stated in the Agency strategic objective: *Through education and research efforts, support reforms to ensure sustainable solvency and more responsive retirement and disability programs. Working with the Administration and Congress, SSA helps develop and review policy alternatives. SSA will continue to work with Congress and the Administration to support their efforts to resolve the program's long-term financial challenges.*

Strategic Goal 4: STAFF

Strategically manage and align STAFF to support Social Security's mission

STAFF Challenge:

- Human Capital

Strategic STAFF Objective that Addresses the Challenge:

- Recruit, Develop and Retain a High-Performing Workforce

PMA Initiative Related to STAFF:

- Strategic Management of Human Capital

Addressing the Staff Challenge Through Recruiting, Developing and Retaining a High Performing Workforce

SSA has a staff of committed, creative and highly capable employees, who are the Agency's most critical asset in the maintaining the highest level of service to the public. In the very near future, it is anticipated that more than a third of SSA's employees will be retiring. The Agency's workloads are also expected to grow dramatically as the baby boom generation approaches their peak disability and retirement years. Consequently, the greatest organizational challenge facing SSA is to ensure that its workforce has the skills and tools necessary to process increasing workloads. In addition, the Agency needs to develop effective strategies that promote superior employee performance and encourage employee retention.

**SSA's Strategies to Recruit, Develop and Retain a High-Performing Workforce
will Allow the Agency to:**

- Continue to provide the highest quality, timely service to the public.
- Increase productivity that will save trust fund and general revenue monies.

Like the baby boomers in the general workforce, SSA employees will begin to retire in greater numbers. According to the Agency's 2005 *Retirement Wave Report*, 56 percent of the workforce will have reached retirement eligibility by the year 2014. Without effective planning and preparation, this anticipated wave of retirements can affect SSA's ability to maintain its current high level of service to the public. It could also result in a significant drain to the Agency's institutional knowledge and expertise.

SSA has initiatives in place to effectively manage escalating workload growth and the potential increase in employee retirements. The Agency employs a diverse array of tools and activities to maintain its high-performing workforce. It uses state-of-the-art automation in its many processes, emphasizes training and offers a large array of job enrichment and leadership development programs. The Agency employs strategic succession planning techniques and emphasizes the value of effective performance management systems that help managers make distinctions among individual levels of performance. Some of these strategies are summarized below:

Recruitment: SSA continues to use and expand personnel hiring flexibilities and hires about 10 percent of new employees from the ranks of outstanding scholars. In serving a diverse population, SSA successfully maintains a high degree of diversity in its workforce, and ensures that specific groups are not under-represented.

Retention: The Agency is continuously improving its human capital practices to guarantee talented managers and employees are available to implement important programs and enhance and protect the economic well-being of millions of Americans. SSA is investing resources in developing talented leaders who will positively influence organizational performance and workforce satisfaction. The Agency's national leadership development programs provide high-potential employees training, development, and support they need to prepare for increasingly responsible leadership roles. In FY 2005, SSA conducted two national leadership development programs—a Leadership Development Program for General Schedule (GS)-9 to 12 employees and an Advanced Leadership Program for GS-13 to 14 employees. SSA also announced a Senior Executive Service Career Development Program for GS-15 candidates nationwide, and encouraged and supported various regional and component-level development programs.

SSA is making significant gains in enhancing the skills of its new and mid-level managers who play key roles in ensuring performance improvements and employee retention. The Agency provided a number of classroom offerings for new supervisors in FY 2005. In an effort to strengthen the competencies of agency managers, field and headquarters staff worked together to pilot a new leadership symposium that develops the knowledge and skills of GS-14 and GS-15 mid-level managers.

Reaching Out to Staff: Employees have electronic access to information about personnel benefits and employee services at their desktops. This feature saves staff resources and promotes increased confidentiality of employee information. SSA continues to improve its successful employee suggestion program through a web-based, fully automated process that monetarily rewards employees commensurate with the value of their suggestions.

New Labor Agreement: SSA and the American Federation of Government Employees negotiated a new *National Agreement*, effective August 2005 that covers approximately 51,000 Agency employees. Negotiations for new term agreements with the National Treasury Employees Union, covering approximately 800 Agency employees, and with the International Federation of Professional and Technical Engineers, representing 1,100 ALJs will likely occur in 2006. SSA is committed to achieving negotiated agreements with all the unions that will both benefit its dedicated

workforce and provide the Agency the flexibility to manage its delivery of high-quality service expected by the public.

Performance Culture: Efforts to link employee performance to the Agency mission and goals is an ongoing priority. The alignment of employee performance with Agency mission and strategic goals will be measured through a new, multi-level performance appraisal program for all employees below the GS-15 level and for GS-15 employees in the bargaining unit. Activities involved in developing a new employee appraisal program include communicating expectations, encouraging excellence, providing development opportunities, measuring results, making distinctions among levels of performance and rewarding achievements. The new appraisal program will foster an Agency culture that encourages ongoing interaction and communication between the manager and employee on staff performance and measure the employee's contribution to the team effort that is needed to achieve the Agency's public service mission.

Strategic Competencies and Knowledge Management: SSA continues to create an environment that fosters effective knowledge management. Included among our knowledge management strategies are succession analysis, collection and analysis of baseline training data, filling positions before vacancies occur and employing the use of understudies in targeted critical positions.

Training: SSA uses a combination of advanced technology and traditional training methodologies. In addition to classroom training, the Agency provides interactive video tele-training (or interactive video training), and computer-based training via the Intranet and Internet. In 2005, SSA increased its online training offerings by migrating from the Agency's Online University to the government-wide *USALearn* site. SSA's employees are now able to access over 2,000 courses on the Agency's *GoLearn* website. Additionally, as an ongoing priority, SSA continues to develop competency-based training for targeted mission-critical positions.

Providing Employees with Better Tools: SSA continues to develop efficient and user friendly tools to enable employees to accomplish their tasks and better serve the public. Employees have online access to personnel, payroll and training data, video conferencing and automated case processing systems that support increased productivity. The workforce has become proficient in the use and application of technology resulting in a more satisfied employee providing quality service to an ever increasing beneficiary base.

The President's Management Agenda

The PMA was launched in August 2001 as a strategy for improving the management and performance of the Federal government. It focuses on the areas where deficiencies are most apparent and where the government can begin to deliver concrete, measurable results. The PMA includes five government-wide initiatives and 10 program-specific initiatives that apply to a subset of Federal agencies. It is helping departments and agencies to be more results-oriented in their performance.

The five key government-wide initiatives are:

Strategic Management of Human Capital: having processes in place to ensure the right person is in the right job, at the right time, and who is not only performing, but performing well.

Competitive Sourcing: regularly examining commercial activities performed by the government to determine whether it is more efficient to obtain such services from Federal employees or from the private sector.

Improved Financial Performance: accurately accounting for the taxpayers' money and providing timely and accurate program cost information to inform management decisions and control costs.

Expanded Electronic Government: ensuring that the Federal government's annual investment in information technology significantly improves its ability to serve the public, and that information technology systems are secure, and delivered on time and on budget.





















































Budget and Performance Integration: ensuring that performance is routinely considered in funding and management decisions, and programs achieve expected results and work toward continual improvement.

For each initiative, the PMA establishes clear, government-wide goals from which agencies then develop and implement detailed, aggressive action plans to achieve those goals. Most importantly, agencies are held publicly accountable for adopting these disciplines. To that end, a simple grading system of “green” (the highest score), “yellow” and “red” (the lowest score) was developed. Each quarter, agencies are rated on their status in achieving the overall goals for each initiative and on their progress in implementing their action plans.

In addition to the five key initiatives, SSA is involved in the PMA program initiative, *Eliminating Improper Payments*. An improper payment occurs when Federal funds go to the wrong recipient, the recipient receives an incorrect amount of funds, or the recipient uses the funds in an improper manner. Based on 2004 audit estimates, Federal agencies made more than \$45.1 billion in improper payments in FY 2004. This new initiative requires agencies to measure their improper payments on an annual basis, develop improvement targets and corrective actions, and track the results annually to ensure the corrective actions are effective.

As shown in the chart below, SSA’s performance under the PMA has steadily moved toward “green” status. As of September 30, 2005, the Agency scored “green” for status on three of five government-wide items, and “green” for progress in implementation of five of five government-wide items. SSA has also earned “yellow” for status and “green” for progress for the program initiative, *Eliminate Improper Payments*.

SSA’s President’s Management Agenda Scorecard

	Human Capital	Competitive Sourcing	Improve Financial Management	e- Government	Budget/ Performance Integration	Eliminating Improper Payments
	Status / Progress	Status / Progress	Status / Progress	Status / Progress	Status / Progress	Status / Progress
9/30/01	 / 	 / 	 / 	 / 	 / 	/
9/30/02	 / 	 / 	 / 	 / 	 / 	/
9/30/03	 / 	 / 	 / 	 / 	 / 	/
9/30/04	 / 	 / 	 / 	 / 	 / 	/
9/30/05	 / 	 / 	 / 	 / 	 / 	 / 

Highlights of Financial Position

Overview of Financial Data

SSA's financial statements and footnotes appear on pages 115 through 161. The financial statements presented in this report received an unqualified opinion from the independent audit firm of PricewaterhouseCoopers LLP. These statements combined the results from the programs administered by SSA. These programs include the Old-Age and Survivors Insurance (OASI) and Disability Insurance (DI) programs (referred to as OASDI when discussing them in combination) and the Supplemental Security Income (SSI) program. OASI and DI have separate trust funds which are financed by payroll taxes, interest on trust fund investments and income taxes on retiree benefits (OASI only). SSI is financed by general revenues from the U.S. Treasury.

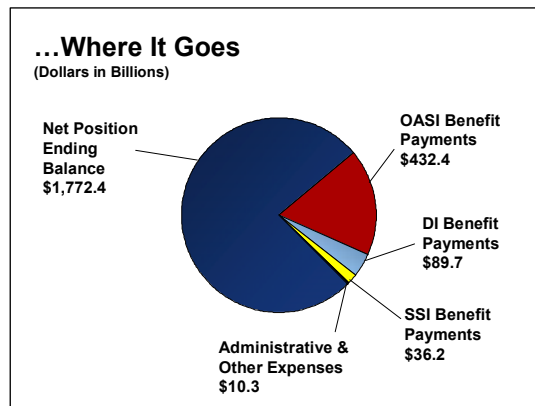
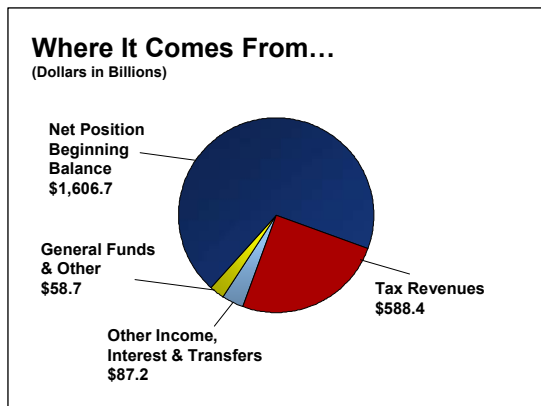
Balance Sheet: The Balance Sheet displayed on page 116 reflects total assets of \$1,847 billion, a 10.7 percent increase over the previous year. Approximately 98 percent of assets are investments. These investments are commonly known as the Social Security Trust Funds. By statute, we invest those funds not needed to pay current benefits in interest bearing Treasury securities. The \$174 billion growth (10.6 percent) in investments from 2004 is primarily due to tax revenues of \$588.4 billion and interest on those investments of \$93 billion, exceeding the cost of operations of \$568.2 billion. The majority of our liabilities, 82 percent, consist of benefits that have accrued as of the end of the fiscal year but have not been paid. By statute, OASI and DI program benefits for the month of September are not paid until October. Liabilities grew in 2005 by \$12.4 billion (20 percent) primarily because of the growth in benefits due and payable. Reflecting the higher growth in assets than liabilities, the net position grew \$165.7 billion or 10.3 percent to \$1,772.4 billion. Interest on Investments, which is paid in the form of Treasury securities, represents 53.4 percent of the growth of the trust funds, down from 57.9 percent in 2004.

Statement of Net Cost: Net cost of operations increased \$36.8 billion or 6.9 percent from \$531.4 billion in 2004 to \$568.2 billion in 2005. Of this increase, \$35.5 billion (6.8 percent growth) resulted from increased benefit payments and \$1.3 billion (14.5 percent growth) resulted from operating expenses. Operating expenses increased due to expenditures incurred in FY 2005 for the Medicare Prescription Drug Program and increased charges for the Internal Revenue Service's administration of certain trust fund activities. The net cost and benefit payments of the OASI program grew 4.9 percent and 4.8 percent, respectively while operating expenses grew by 17.1 percent. The number of OASI beneficiaries grew 1 percent to 40 million while average benefit payments grew by 3.7 percent to \$901 per month. The net cost and benefit payments of the DI program grew 19.1 percent and 19.4 percent, respectively. Operating expenses grew by 8.9 percent. The number of DI beneficiaries grew by 5.0 percent while average benefits increased 4.1 percent to \$763 per month.

The net cost and benefit payments of the SSI program grew 3.2 percent and 2.9 percent, respectively. Operating expenses grew by 7.3 percent. The number of SSI beneficiaries grew by 1.2 percent while average benefits increased by 2.7 percent to \$579 per month. The operating expenses of the Other program grew by 35.2 percent. This increase is primarily due to expenditures related to the Medicare Prescription Drug Program.

Statement of Changes in Net Position: The Statement of Changes in Net Position reflects an increase of \$165.7 billion. This increase is primarily attributable to a \$174 billion increase in trust fund reserves. The following charts summarize the activity on SSA's Statement of Net Cost and Statement of Changes in Net Position by showing the funds SSA was provided in FY 2005 and how these funds were used. These statements are displayed on pages 117 and 118, respectively. Most resources available to SSA were used to finance current OASDI benefits and to accumulate reserves to pay future benefits. When funds are needed to pay administrative

expenses or benefit entitlements, investments are redeemed to supply cash to cover the outlays. Administrative expenses shown, as a percent of benefit expenses, is 1.8 percent. Total financing sources grew by \$49.6 billion or 7.2 percent from \$684.4 billion in 2004 to \$733.9 billion in 2005. The primary sources for this growth were a payroll and income tax revenue increase of \$43.1 billion (7.9 percent) from 2004 due to a continuing improvement in the United States' economy and investment income of \$5.4 billion (6.1 percent) from 2004. The growth in investment income was due to the 10.6 percent growth in investment which was partially offset by the drop of average interest yield from 6.25 percent to 6.15 percent.

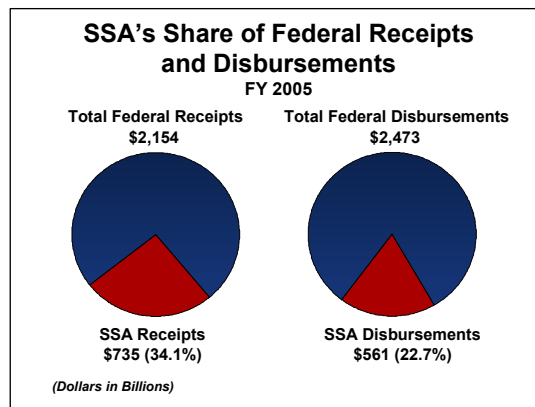


Statement of Budgetary Resources: This statement displayed on page 119 shows that SSA had \$605.4 billion in budgetary resources of which \$1.8 billion remained unobligated at year-end. SSA recorded total outlays of \$561.3 billion by the end of the year. Budgetary resources grew \$42.5 billion, or 7.5 percent from 2004, while outlays increased \$31.1 billion, or 5.9 percent.

Statement of Financing: This statement reconciles “Total resources used to finance activities,” an expression of budgetary spending, with the “Net cost of operations,” the proprietary expenses of the Agency. It is the bridge between an entity’s budgetary and financial accounting by identifying the change in activity from one period to another. The statement displayed on page 120 identifies \$570.4 billion in budgetary spending for FY 2005, an increase of \$39.8 billion or 7.5 percent over last year. This total is increased by \$3.4 billion in resources not part of the net cost of operations, and is increased by \$1.2 billion in components of net cost of operations that will not require or generate resources in the current period. The resulting balance reflects a \$568.2 billion net cost of operations for the year, an increase of \$36.8 billion or 6.9 percent over FY 2004.

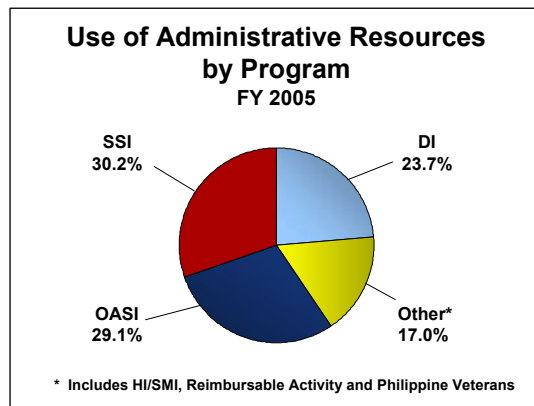
SSA’s Share of Federal Operations

The programs administered by SSA constitute a large share of the total receipts and disbursements of the Federal Government as shown in the chart to the right. Receipts for our programs represented 34.1 percent of the \$2.2 trillion in total Federal receipts, a decrease of 2.1 percent over last year as Federal income tax collections grew more rapidly than payroll taxes. Disbursements stayed the same at 22.7 percent of Federal disbursements.



Use of Administrative Resources

The chart to the right displays the use of all administrative resources (including general operating expenses) for FY 2005 in terms of the programs SSA administers or supports. Although the DI program comprises only 16.1 percent of the total benefit payments made by SSA, it consumes 23.7 percent of annual administrative resources. Likewise, while the SSI program comprises only 6.5 percent of the total benefit payments made by SSA, it consumes 30.2 percent of annual administrative resources. Claims for DI and SSI disability benefits are processed through State Disability Determination Services where a decision is rendered on whether the claimant is disabled. In addition, the Agency is required to perform continuing disability reviews on many individuals receiving DI and SSI disability payments to ensure continued entitlement to benefits. The FY 2004 use of administrative resources by program was 28.5 percent for the OASI program, 24.9 percent for the DI program, 32.2 percent for the SSI program and 14.9 percent for Other.



Trust Fund Solvency

Pay-as-you-go Financing

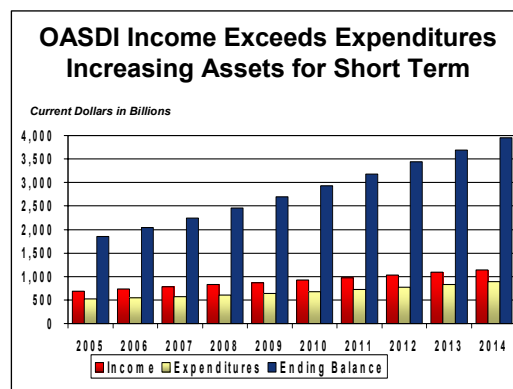
The Social Security Trust Funds are deemed to be adequately financed on a pay-as-you-go basis as long as assets are sufficient to finance program obligations. Such adequacy is reflected in the maintenance of a positive Trust Fund balance. In recent years, current income has exceeded program obligations, and thus the Trust Fund holdings have been growing. The following table shows that Trust Fund holdings, expressed in terms of the number of months of program obligations that these holdings could finance has grown from 30.8 months at the end of FY 2001 to 39.8 months at the end of FY 2005, an increase of 29 percent.

Number of Months of Expenditures Year End Assets Can Pay (End of FY)					
	2001	2002	2003	2004	2005 ¹
OASI	31.8	35.0	37.8	40.0	42.7
DI	24.6	25.9	26.2	25.8	25.6
Combined	30.8	33.6	35.9	37.7	39.8

1. Estimates are based on 2005 Trustees Report intermediate assumptions.

Short Term Financing

The Social Security Trust Funds are deemed adequately financed for the short term when actuarial estimates of Trust Fund holdings for the beginning of each calendar year are at least as large as program obligations for the year. Estimates in the 2005 Trustees Report indicate that the Social Security Trust Fund is adequately financed over the next 10 years. Under the intermediate assumptions of the 2005 Trustees Report, estimated expenditures and income in 2014 are 77 percent and 74 percent higher than the corresponding amounts in 2004 (\$502 billion and \$658 billion, respectively). From the end of 2004 to the end of 2014, assets are expected to grow by 134 percent, from \$1.7 trillion to \$4.0 trillion.



Long Term Financing

Social Security's financing is not projected to be sustainable over the long term with the tax rates and benefit levels scheduled in current law. In 2017, program cost will exceed tax revenues, and, in 2041, the Trust Fund will be exhausted according to the projections by Social Security's Chief Actuary. The primary reasons for the projected long-term inadequacy of financing under current law relate to changes in the demographics of the United States: baby boomers approaching retirement, retirees living longer, and birth rates well below historical levels. In present value terms, the 75 year shortfall is \$4.0 trillion, which is about 2 percent of taxable payroll and about 0.6 percent of Gross Domestic Product (GDP) over the same period. Possible reform alternatives being discussed -- singularly or in combination with each other -- are (1) increasing payroll taxes, (2) slowing the growth in benefits, (3) using general revenues or (4) increasing returns through either personal savings accounts or direct investments of the trust funds.

Page 44 provides additional discussion of the long term solvency of the OASDI Trust Fund. Pages 143 through 161 include the disclosures required by Federal Accounting Standards Advisory Board Statement 17, Accounting for Social Insurance.

Limitation on Financial Statements

The principal financial statements beginning on page 116 have been prepared to report the financial position and results of operations of SSA, pursuant to the requirements of 31 U.S.C. 3515 (b).

While the statements have been prepared from the books and records of SSA in accordance with generally accepted accounting principles (GAAP) for Federal entities and the formats prescribed by the Office of Management and Budget, the statements are in addition to the financial reports used to monitor and control budgetary resources which are prepared from the same books and records.

The statements should be read with the realization that they are for a component of the U.S. Government, a sovereign entity.

Systems and Controls

Federal Managers' Financial Integrity Act

Federal Managers' Financial Integrity Act (FMFIA) Program

SSA has a well established agencywide management control and financial management systems program as required by FMFIA. The Agency accomplishes the objectives of the program by:

- Integrating management controls into its business processes and financial management systems at all organizational levels;
- Reviewing its management controls and financial management systems controls on a regularly recurring basis; and,
- Developing corrective action plans for control weaknesses and monitoring those plans until the weaknesses are corrected.

SSA has no FMFIA material weaknesses to report this year. Agency managers are responsible for ensuring that effective controls are implemented in their areas of responsibilities. SSA senior level executives are required to submit to the Commissioner of Social Security an annual assurance statement providing reasonable assurance that functions and processes under their areas of responsibility functioned as intended and that there were no major weaknesses that would require they be reported to the President and the Congress, or a statement indicating that such assurance could not be provided. For FY 2005, all the assurance statements provided positive assurance. This executive accountability assurance provides an additional basis for the Commissioner's annual assurance statement included in the transmittal letter to this report.

When a major control weakness is identified in the Agency, it is considered by the Agency's Executive Internal Control (EIC) Committee to determine if the weakness should be considered a material weakness and thus submitted to the Agency head for final determination. The EIC committee, consisting of senior managers and chaired by the Deputy Commissioner of Social Security, ensures SSA compliance with the requirements of FMFIA and other related legislative and regulatory requirements. The Committee provides executive oversight of the management control program, addresses management control issues that have a substantial impact upon the Agency's mission, monitors the progress of actions to correct management control weaknesses, ensures SSA's critical infrastructure is protected and ensures the Agency has a viable continuity of operations plan. The Committee also provides recommendations for improvement in those areas to the Agency head.

Effective internal controls are incorporated into the Agency's business processes and financial management systems through the life cycle development process. The user requirements include the necessary controls and the new or changed processes and systems are reviewed by management to certify that the controls are in place. The controls are then tested prior to full implementation to ensure they are effective.

The controls of the new or changed processes or systems are monitored to ensure they remain effective. Management control issues and weaknesses are identified through audits, reviews, studies and observation of daily operations. SSA conducts internal reviews of management and systems security controls in its administrative and programmatic processes and financial management systems. The reviews are conducted to evaluate the adequacy and efficiency of the Agency's operations and systems to provide an overall assurance that the Agency's business

processes are functioning as intended. The reviews also ensure that management controls and financial management systems comply with the standards established by FMFIA and Office of Management and Budget (OMB) Circulars A-123, A-127 and A-130. The reviews encompass SSA's business processes such as enumeration, earnings, claims and postentitlement events, debt management and SSA's financial management systems. SSA develops and implements corrective action plans for weaknesses found through the reviews and audits and tracks the corrective actions until the weaknesses are corrected.

Management Control Review Program

SSA has an agencywide review program for management controls in its administrative and programmatic processes. The Agency requires that a minimum of 10 percent of field offices (FO) be reviewed each fiscal year (FY). The FOs are chosen for review by considering performance measures in selected critical processes and by using the experience and judgment of the regional security personnel. During FY 2005, SSA's managers and contractors conducted reviews of 205 FOs (15%) and 6 Program Service Centers (PSC) (100%). During FY 2005, SSA's Office of Hearings and Appeals (OHA) and an independent contractor conducted reviews of 48 OHA offices (34%). The contractor also provided recommendations on ways to strengthen the OHA Management Control Review Program.

SSA has also taken great strides to strengthen the administrative, programmatic and security controls at the State Disability Determination Services (DDS). During FY 2005, updated security policy and guidelines were issued to the DDS's. The DDSs perform annual security self-reviews using the guidelines and checklist from the DDS Security Document. Additionally, SSA's Regional Offices (RO) perform an independent security review of the DDSs using this same review checklist. The ROs develop a 5-year review plan in which each State DDS is reviewed at least once to ensure adherence to SSA's policies. During FY 2005, SSA conducted reviews of 15 DDS sites (23%).

SSA contracted with an independent public accounting firm to review the Agency's management control program, evaluate the effectiveness of the program and make recommendations for improvement. Annually, the contractor reviews operations at SSA's central office, selected ROs, 24-30 FOs, selected PSCs, and selected DDS's. The contractor's efforts have indicated that SSA's management control review program appears to be effective in meeting management's expectations for compliance with Federal requirements.

Financial Management Systems (FMS) Review Program

OMB Circular A-127 requires agencies to maintain an FMS inventory and to conduct reviews to ensure FMS requirements are met. In addition to pure financial systems, SSA also includes all major programmatic systems in this FMS inventory. Within a 5-year period, SSA conducts both a detailed review and a limited review of each system. An independent contractor conducts the detailed review at audit level standards including transaction testing and the system manager conducts the limited review.

During FY 2005, SSA's contractor conducted detailed reviews of SSA's Earnings Records Maintenance System, Social Security Online Accounting and Reporting System, and Supply System. The results of these reviews did not disclose any significant weaknesses that would indicate noncompliance with laws, Federal regulations or Federal standards. However, SSA is addressing the weaknesses found and will monitor those until corrected.

Financial Statement Audit

The OIG contracted for the audit of SSA's FY 2005 financial statements. The auditor found that the principal financial statements were fairly stated in all material respects and issued an unqualified opinion. The auditor also found management's assertion that SSA's systems of accounting and internal controls were in compliance with OMB's internal control objectives to be fairly stated in all material respects, and the internal control report did not include any internal control deficiencies.

Federal Financial Management Improvement Act

On May 6, 2005, the Commissioner determined that SSA's financial management systems were in substantial compliance with the Federal Financial Management Improvement Act (FFMIA) for FY 2004. In making this determination, she considered all the information available, including the auditor's opinion on the Agency's FY 2004 financial statements, the report on management's assertion about the effectiveness of internal controls and the report on compliance with laws and regulations. She also considered the results of the financial management systems reviews and management control reviews conducted by the Agency and its independent contractor.

Under Section 803(c)(2) of FFMIA, the determination for FY 2005 shall be made no later than 120 days after the earlier of (A) the date of receipt of an agencywide audited financial statement or (B) the last day of the fiscal year following the year covered by such statement. We expect to receive the final management letter report(s) for the FY 2005 audit in February 2006.

Federal Information Security Management Act

The Federal Information Security Management Act (FISMA) requires Federal agencies to conduct an annual self-assessment review of their information technology security program, to develop and implement remediation efforts for identified security weaknesses and vulnerabilities, and to report to OMB on the Agency's compliance. An independent contractor's evaluation indicated that SSA's self-assessment methodology was consistent with established FISMA requirements. SSA's Office of Inspector General (OIG) also performed an independent review of SSA's compliance with FISMA and concluded that, with the exception of procedural areas needing improvement, SSA had complied with FISMA requirements. SSA submitted its annual FISMA report to OMB on October 7, 2005.

Financial Management

(Section 52.4(a), OMB Circular A-11)

Goals and Strategies

The President's Management Agenda (PMA) is a coordinated strategy to reform Federal management and improve program performance. The PMA outlines five governmentwide and nine agency specific areas that need to be revamped to better serve the American people. One of the five governmentwide targets is to improve financial performance by ensuring that agencies have accurate and timely financial information to manage cost and inform decision-making.

OMB issued scorecard standards for success for each of the five PMA initiatives. In order for an agency to be considered in the "green" category (the highest score) for the Improved Financial Performance initiative, they must satisfy the following standards for success:

- Meets all yellow standards for success by:
 - Receiving an unqualified opinion on its financial statements
 - Meeting financial statement reporting deadlines
 - Reporting in its audited annual financial statements that its systems are in compliance with the FFMIA
 - Having no chronic or significant Anti-Deficiency Act Violations

- Having no material auditor-reported internal control weaknesses
- Having no material non-compliance with laws or regulations
- Having no material weaknesses or non-conformances reported under FMFIA.
- Currently produces accurate and timely financial information that is used by management to inform decision-making and drive results in key areas of operations.
- Is implementing a plan to continuously expand the scope of its routine data use to inform management decision-making in additional areas of operations.

SSA's status for the Improved Financial Performance initiative is green and we have also been rated green for progress on OMB's latest scorecard. The Agency's goal is to maintain the green status and to achieve the milestones established for improvement.

In addition to efforts related to the PMA, SSA is aggressively working to ensure compliance with the recently revised OMB Circular A-123, Management's Responsibility for Internal Control. Beginning in FY 2006, the circular requires that the internal controls that support the financial reporting process are documented and tested to allow management to make an assertion regarding the effectiveness of these internal controls. SSA has documented the financial reporting process, determined the most significant risks, as well as the controls in place to mitigate these risks and developed a test plan to test the effectiveness of these controls. This information as well as the results of the review programs discussed on the preceding pages of the Systems and Controls section will serve as the basis for the required assertion on the internal controls over financial reporting as of September 30, 2006.

Financial Management Performance

A major challenge facing SSA is to maintain the green status in financial management in the PMA and green status in progress. We achieved that status due to our integrated financial and performance systems that allow SSA managers to routinely access financial and performance information to make day-to-day decisions. That status is also due to the Agency receiving an unqualified opinion on its financial statements with no material weaknesses cited by the auditor; having financial systems compliant with Federal law; and demonstrating to OMB that SSA uses accurate and timely information to manage the Agency. The Agency has new initiatives to "Get Beyond Green" that will improve the quality, consistency and access to information used by managers and analysts to manage work and account for resources. The lynchpin to these initiatives is a modernized cost accounting system which will integrate workload counts, processing times, and administrative cost data at all levels of the organization. This data will be used to calculate unit cost and productivity management information for the Agency's programs down to the office level to support strategic decision making.

SSA's core accounting system is in compliance with all OMB requirements, incorporates commercial best practices and includes the Agency's core accounting functions. The system interfaces with administrative systems to enhance the Agency's ability to soundly manage assets and we will continue to invest in infrastructure needed to sustain superior performance into the future.

SSA continues to meet the challenges of timely and accurate financial reporting. During this year, SSA produced quarterly financial statements and submitted them to OMB by the required due dates and met the required delivery date for the FY 2005 PAR. We will continue to improve our procedures for assembling, analyzing and reporting financial information on a timely basis. The accuracy of our data has been confirmed by twelve successive unqualified, or clean, opinions on our annual financial statements.

Financial Management Systems Framework

SSA's FMS inventory is reviewed annually and is updated to reflect the most recent status as a result of systems modernization projects. Accordingly, the FMS inventory may change from year to year depending on the progress made in modernization projects. In FY 2005, SSA utilized the following active FMS:

Program Benefits

- Title II System
- Retirement, Survivors and Disability Insurance (RSDI) Accounting System
- Supplemental Security Income (SSI) Records Maintenance System
- Earnings Record Maintenance System
- Social Security Number Establishment and Correction System

Debt Management

- Debt Management System (DMS)
- Recovery of Overpayments, Accounting and Reporting System (ROAR)

Financial/Administrative

- Social Security Online Accounting and Reporting System (SSOARS)
- Cost Analysis System (CAS)
- Supply System
- Property Accountability System
- SSA Streamlined Acquisition System

SSA continues the long term development of its FMS following a defined strategy. In the Program Benefits category, SSA is continuously involved in streamlining the systems and incorporating new legislative requirements. The major effort in this category is to eventually subsume the RSDI Accounting System into the umbrella Title II System. The goal in the Debt Management category is to have a single DMS incorporating both RSDI and SSI debt programs. The major project in the Financial/Administrative category was the roll out of SSOARS on October 1, 2003. During FY 2005, SSA upgraded SSOARS to implement the OMB requirement related to Central Contractor Registration functionality. Prospectively, SSA is conducting research to determine the viability of applying to become a Financial Management Center of Excellence.

Improper Payments Information Act of 2002

Narrative Summary of Implementation Efforts for FY 2005 and Agency Plans for FY 2006-FY 2008

Background

A key component of the PMA is the initiative to reduce improper payments. The Improper Payments Information Act of 2002 (IPIA), Public Law 107-300, requires Federal agencies to report annually on the extent of the improper payments in those programs that are susceptible to significant improper payment and the actions they are taking to reduce such payments. IPIA has extended the improper payments reporting requirements beyond those programs and activities listed in the former Section 57 of OMB Circular A-11.

OMB guidance on implementation of IPIA calls for SSA to continue to report on improper payments information for the Old-Age and Survivors Insurance (OASI) and Disability Insurance (DI) programs, in addition to the Supplemental Security Income (SSI) program, as was required by Section 57 of OMB Circular A-11. SSA is to report on the improper payments found in the OASI and DI programs even though the level of such payments in these programs have continually been well below the threshold cited in IPIA. The OMB guidance also calls for the *FY 2005 Performance and Accountability Report* to include the most recently available data in reducing improper

payments. Due to timing of the payment accuracy analysis, SSA's FY 2005 report includes results for FY 2004. Please refer to the *Appendix* for a detailed report of the FY 2004 results and plans to reduce improper payments.

Since OMB guidance on IPIA requires the evaluation of all payment outlays beyond the OASI, DI and SSI programs that SSA administers, SSA has performed a review of the Agency's administrative payments; e.g., payroll disbursements, vendor payments, etc. These payments were found not to be susceptible to significant improper payments. More information on the evaluation of improper payments is provided in the *Appendix* of the report.

Recovery Auditing

In FY 2004, SSA initiated recovery auditing of contractor payments in accordance with Section 831 of the Defense Authorization Act for Fiscal Year 2002 which requires agencies that enter into contracts with a total value in excess of \$500 million in a FY initiate a program to identify and recover payment errors. SSA hired auditing firm PRG Shultz and the recovery auditing effort began in January 2004. Results from the contractor did not indicate any significant recovery activity. Only .001 percent, or about \$49,000, of the \$3.3 billion payments reviewed was deemed improper and collected. The vendor concluded their review in December 2004. SSA then established an in-house recovery auditing program. Please refer to the *Appendix* for a detailed report on SSA's recovery auditing initiative.

Agency Efforts and Future Plans

SSA's OASI, DI and SSI quality assurance (QA) payment accuracy (Stewardship) reviews provide the data to measure the payment outlays in these programs each fiscal year. The FY 2004 Old-Age, Survivors and Disability Insurance (OASDI) accuracy rate continues to be at a significantly high level; 99.5 percent for overpayments and 99.8 percent for underpayments. Even though we have achieved this high accuracy rate, we still strive to make additional achievements in payment accuracy. The detailed report on SSA's efforts to reduce improper payments identifies the major causes of improper payments over the past several years in the OASI and DI programs and the actions the Agency has taken to address these causes.

In the SSI program, SSA has established a 5-year goal to achieve 96 percent overpayment accuracy by FY 2008. Success in achieving the SSI goal is dependent on the effectiveness of the activities outlined in SSA's SSI Corrective Action Plan. In FY 2004, SSI payment accuracy results were 93.6 percent for overpayments and 98.7 percent for underpayments. The major causes of SSI overpayments in FY 2004 were wages and financial accounts (such as savings and checking accounts). The major causes of SSI underpayments in FY 2004 were wages, living arrangements, and in-kind support and maintenance.

OASDI Improper Payment Initiatives

- A Substantial Gainful Activity software tool, called eWork, is available in every field office to ensure proper handling of SGA cases. In addition, SSA is pursuing a pilot with the Office of Child Support and Enforcement's (OCSE) "new hires" file as well as a study of SSA's internal alert process to investigate substantial earnings.
- The Agency is working with State governments to improve the current paper-based process to report death data. Electronic Death Registration (EDR), a web-based automation of the death registration process, would provide timely and accurate death data. Currently, SSA has awarded EDR development contracts to 22 States and 7 States and the District of Columbia have implemented EDR.
- For the past several years, SSA implemented initiatives to correct computation errors in benefit payments. SSA is in the process of developing automated capabilities that will further prevent, identify and correct computation errors.

- Improvements were made to wage and self-employment earnings reports by modifying the Social Security Statement and increasing electronic filing of W-2's. In addition, the Social Security Number Verification System was implemented nationally in June 2005 providing employers a web-based vehicle in which to verify names and SSN's of employees for wage reporting purposes.
- Correction of workers compensation errors, the third leading cause of OASDI underpayments for FY's 2003 and 2004, continues through dedication of SSA's Operations staff to rework affected cases and exploring possible data exchanges.

SSI Improper Payments Initiatives

- In FY 2004, SSA completed a test to determine the feasibility of implementing monthly wage reporting using touch-tone and telephone technology. Based upon the results of the first test, SSA will conduct a second test using a different authentication process. Results of the second test will determine whether to proceed with this technology that offers the opportunity to prevent SSI wage overpayments estimated at \$398 million in FY 2004.
- In addition, SSA is working to streamline the SSI wage documentation requirements. In January 2005, a year long test began in selected service areas to utilize a centralized unit to process wage reports mailed by SSI recipients and deemors; i.e., ineligible spouses and parents.
- To further improve SSI payment accuracy, the Foster Care and Independence Act of 1999 gives the Commissioner the authority to require SSI recipients to provide authorization for SSA to obtain any and all financial institution records. Refusal to provide, or revocation of, an authorization may result in ineligibility for SSI. In an effort to reduce the amount of overpayments caused by financial accounts, SSA promulgated final regulations in FY 2004 that allow the Agency to query financial institutions electronically. In February 2004, SSA began a proof of concept to test the feasibility of financial institutions accepting electronic bank account verification requests. The proof of concept demonstrated the financial community's support of this process. In addition, verification requests were returned quickly to the Agency which allows immediate continuation of the SSI application or redetermination. In February 2005, SSA initiated a study to ascertain the characteristics of cases that are likely to have unreported resources. The data gathering of this study concluded in FY 2005. Study analysis and reporting will occur in the second quarter of FY 2006 whereby the results will be used to increase the effectiveness and efficiency of a future national electronic verification process. SSI financial account issues accounted for a projected \$369 million in overpayment deficiencies for FY 2004.
- Effective January 2001, SSA began using online queries to access OCSE quarterly wage data and "new hires" OCSE file as tools to assist in detecting improper payments due to wages. In an effort to learn quickly about unreported work, SSA is exploring the usefulness of a quarterly match with the "new hires" OCSE file.
- Improper SSI payments due to living arrangements and in-kind support and maintenance result from recipients not reporting changes in their household living situations or changes in the recipient's contributions to household expenses. This is a complex area where recipient understanding of reporting requirements is very difficult to address. For this reason a portion of the annual SSI redetermination workload is targeted to addressing improper payments due to living arrangement changes. The redetermination process is the most powerful tool available to SSA for preventing and detecting all types of SSI improper payments, including those due to living arrangements and in-kind support and maintenance. To detect improper SSI payments, SSA regularly reviews cases that statistical profiles indicate are most likely to be in error.